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India at the centre of global investments

Seize the India moment

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Grow with a Growing Nation

The question isn't why to invest in India—it's where and how much? As the world's fifth-largest economy, India is on an ambitious journey to add 1.5 trillion dollars to its existing GDP, aiming for a US$5 trillion GDP over the next four years. Its aspirations and resilience make the country more than just a place to do business – it's a place to innovate and thrive.

The latest Union Budget 2025 turbocharges India's investment appeal with bold reforms designed to accelerate infrastructure development, streamline regulations, increase foreign investment and fuel innovation. These measures are set to ensure long-term economic stability, attract global capital and drive growth.

Massive infrastructure investments, including a 50-year interest-free loan to states and the Urban Challenge Fund, will transform connectivity and urban growth. A 1 lakh crore (~US$ 11.8 billion) boost to the economy will increase disposable income, especially among the middle class, and enhance financial liquidity for citizens, driving demand. The government's investor-friendly FDI policy is transparent and predictable, allowing 100 percent FDI under the automatic route in most sectors, other than select strategic ones. . Increasing FDI limits in insurance from 74 percent to 100 percent, promoting Global Capability Centres in tier-two cities and fostering investor-friendly Bilateral Investment Treaties further cement India's position as a global investment hub.

With tax exemptions for sovereign wealth funds expected to unlock US$35 billion in infrastructure financing over five years, the Jan Vishwas 2.0 Bill, an investment-friendly state index and a streamlined 50 percent lighter direct-tax code will reduce red tape and create a more business-friendly operating environment.

The country's ambitious Make in India initiative, bolstered by the National Manufacturing Mission, clean-tech incentives and comprehensive skilling programmes is a strategic push towards domestic manufacturing. This not only enhances India's integration into global supply chains but also positions it as a key player in international trade. Furthermore, sector-focused policies in this budget for industries such as toys, shipbuilding, leather and nuclear energy are set to unlock new opportunities, driving employment, innovation and entrepreneurship across diverse sectors.

India's robust export growth despite global uncertainties is evident from the latest GDP numbers when exports increased by 10 percent YoY in Q3FY25. While the share of high-end manufacturing goods in total exports is on the rise, service exports have propelled the country to secure the 7th share in global services exports. Initiatives such as Export Promotion Mission and BharatTradeNet will be instrumental in further simplifying trade compliance and enhancing credit access, thereby significantly boosting India's global trade presence.

India's digital economy is its powerful engine of growth, outpacing the broader economy by 2.4 times between 2014 and 2019, and creating 62.4 million jobs. Every 1 percent increase in the digital economy drives a 0.79 percent rise in India's GDP, highlighting the transformative impact of digital technologies on economic expansion.

India's capital markets are thriving, with the market cap-to-GDP ratio soaring from 77 percent in 2019 to 136 percent in 2024, surpassing advanced economies, such as China, the UK and South Korea. Equity-based financing has surged, with IPO listings increasing six-fold between FY13 and FY24, making India the global leader in IPO listings in FY24. Young investors under 30 now make up 40 percent of secondary market participants. India's stock market has also become the fourth-largest globally, overtaking Hong Kong.

SEBI's stricter norms for foreign portfolio investments and new regulations for mutual funds and AIFs are enhancing transparency, governance and investor protection. The introduction of Specialised Investment Funds will further boost capital markets. As India targets becoming the world's third-largest economy by 2030, the mutual fund industry is poised to drive economic growth.

GIFT IFSC is emerging as a global financial hub, attracting both international and domestic players with unrestricted currency convertibility and strong compliance standards. With over 760 registrations and assets worth US$78.2 billion of the international banking units, it is positioning itself as a competitive alternative to hubs in Asia-Pacific.

The Union Budget 2025 announced a second asset monetisation plan (2025–30) to raise INR 1 trillion (US$ 133 billion) by monetising government assets and reinvesting in infrastructure. Regulatory and fiscal refinements aim to boost private participation, creating long-term investment opportunities for foreign investors, such as sovereign wealth funds and national pension funds.

India's inclusion in JP Morgan's Global Bond Index signals global confidence in its financial stability and market potential. This milestone boosts India's presence in major indices, such as Corporate Emerging Markets Bond Index (CEMBI), Government Bond Index-Emerging Markets (GBI-EM) and Emerging Markets Bond Index (EMBI), enhancing access to Indian bonds for local and international investors. The country is expected to attract an additional US$ 30 billion in foreign portfolio investment.

Together, these measures create a win-win for businesses and investors—providing a seamless operating environment while unlocking India's vast market potential.

For those looking to invest, India isn't just a destination—it's a transformative journey, shaping the future of global business through resilience, innovation and an unstoppable drive for progress.

Preface

Resilient, Rising, Robust India

The global trade landscape is undergoing significant transformation, marked by a rise in protectionist policies. With the current uncertainty around reciprocal tariffs and shifting trade dynamics, it remains to be seen how the situation will stabilise. Despite these headwinds, India will remain resilient.

India, the fastest-growing major economy in the world, has a strong domestic demand accounting for nearly 80 percent of its GDP—primarily consumption and investment. The country is on track to become the world's third-largest economy by 2027, fueled by a rapidly expanding consumer base. By 2030, an estimated 140 million households are projected to join the middle class, and 20 million are expected to enter the high-income segment. This shift will drive spending on essentials to increase by 2–2.5 times and spending on services by 3–4 times, with total consumer expenditure anticipated to rise from US$1.9 trillion to US$5.2 trillion.[*]

At the same time, India has made significant investments in infrastructure over the past decade, focusing on expanding and modernising its physical assets. India's infrastructure, relative to its GDP, is now at par with that of China.[#]

Given the strength of its domestic economy, India is well-equipped to withstand external trade disruptions. The country has steadily built a robust foundation that positions it for continued growth—regardless of volatility.

Catch up on the latest developments on the global trade and its impact on India here:

* https://www.weforum.org/stories/2019/01/10-mega-trends-for-india-in-2030-the-future-of-consumption-in-one-of-the-fastest-growing-consumer-markets/; Rediffusion Red Lab 'Rising to a Billion' report. https://www.ndtv.com/india-news/india-set-to-become-worlds-consumption-capital-7975228
# https://www.ndtv.com/india-news/what-morgan-stanley-said-comparing-india-vs-china-over-infrastructure-5951753

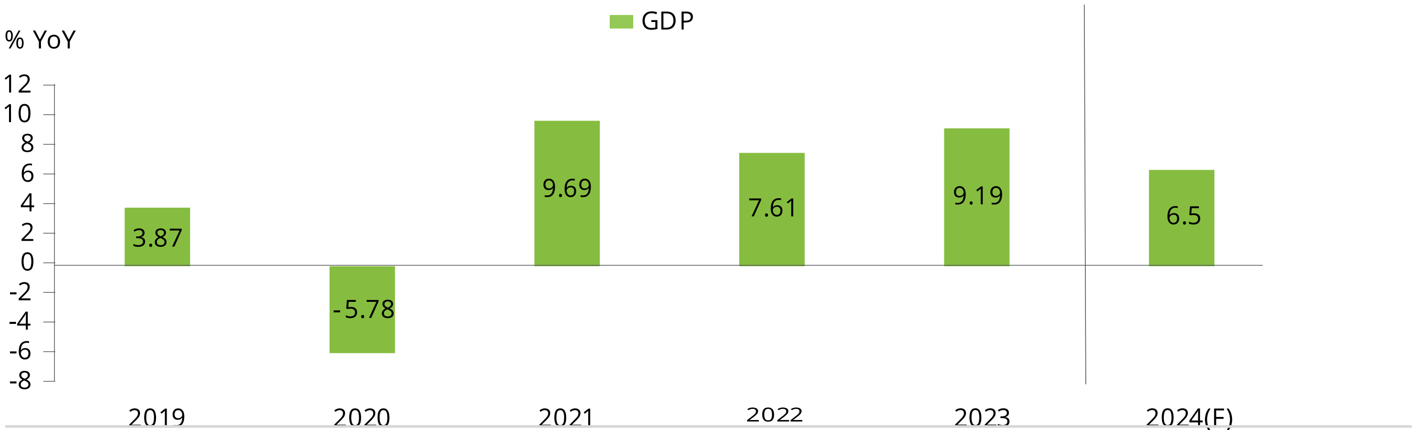
(A)
India growth story

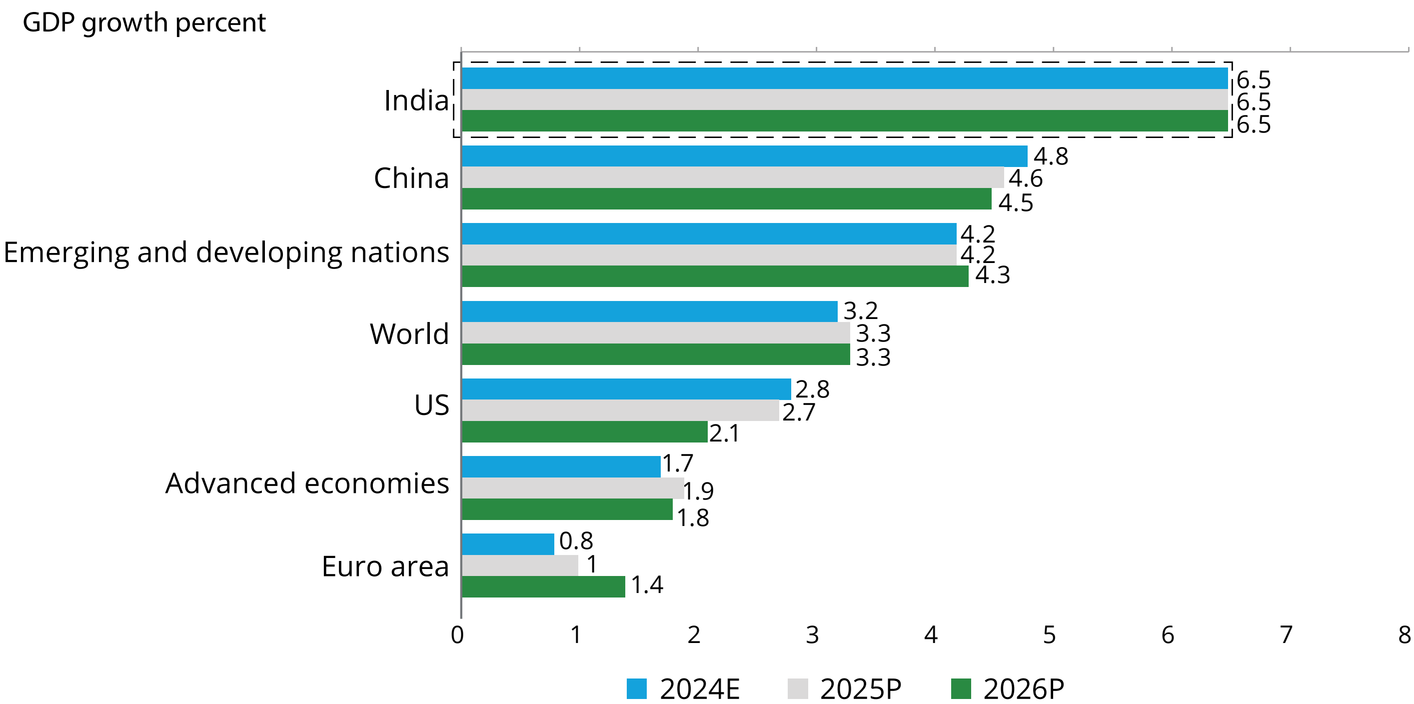
India's robust economic growth drives a positive near-term outlook, positioning it as the fastest-growing economy through FY2026. Strong domestic demand and an expanding digital economy help shield the country from global risks. Technology presents both opportunities and challenges, making it essential to manage its rapid evolution to sustain growth and mitigate potential disruptions effectively.

A.1. Strong economic indicators

Steady GDP growth: Growth in the next two years is likely to be between 6.3 percent and 8 percent. This steady GDP growth underscores the country's resilience and economic potential and will contribute to making India a key destination for global investments.

Growth likely to be at 6.5% but rebound on the back of higher consumption spending





Sources: CMIE, Consensus Economics, World Bank, IMF, ADB, Economic Survey, RBI

Drivers of the economy

- Massive consumer base
- Diversified foreign investments
- Largest millennials and Gen X population in the world
- Digital-led economy (0.79 percent increase in GDP with 1 percent increase in level of digital economy[i])
- Increased spending on infrastructure and improved logistics
- Rapid rising contribution of services to GDP and exports

Risks for the economy

- Global economic slowdown
- Regional conflicts and geopolitical uncertainties
- Trade slowdown and regulations
- Impact of climate change on the economy
- Rapid changes in technology and its impact on employment, skills
- Volatile crude oil prices (1 percent rise in oil price leads to ~0.26 percent growth in economy[ii])
- Climate change (US$35 trillion loss by 2070[iii])

[i] https://www.frontiersin.org/journals/public-health/articles/10.3389/fpubh.2022.856142/full;
[ii] https://www.ipsacademy.org/unnayan/13.pdf
[iii] India's turning point, Deloitte;

Four strong pillars of growth: Favourable demographics, improving logistics, rapid technological innovation, and the rising sunrise sectors enhance India's competitive edge and resilience. A young, dynamic workforce boosts productivity, while advancements in infrastructure and tech enable greater efficiency and global integration. The contribution of the sunrise and new-gen sectors enhances India's long-term growth sustenance and competitiveness.

India's competitive edge-demographics, logistics, tech innovation and sunrise sectors fuel growth and resilience

Technology

US$1 trillion digital economy by FY 2026

87% adoption rate in FinTech, highest in the world

58% share in global sourcing in the IT & BPM sector

Infrastructure

Second-largest road network in the world

Fourth-largest railway network

Third-largest aviation market

Sunrise sectors

Second largest mobile manufacturer in the world

Third in start-up ecosystem

Third in solar power generation

Economy & demography

One-fifth of the world's young population

Third-largest economy by Purchasing Power Parity (PPP)

16% of world's AI talent

Sources: IBEF, Akashvani, Invest India, Economic Survey, DEA

Continuous reforms and supportive initiatives: Since 2016, India has undertaken transformative reforms to solidify its economic fundamentals. The insolvency and bankruptcy code strengthens financial resolution frameworks while the implementation of GST streamlines indirect taxes. Stronger bank balance sheets after recapitalisation enhance credit flow, while the PLI scheme boosts manufacturing. Efforts such as the national infrastructure pipeline, national logistics policy and PM Gati Shakti are aiding in developing world-class infrastructure and logistics efficiency.

A.2. Favourable business environment

India has been steadily improving its performance in key areas essential to creating a business-friendly environment.

The combined efforts of India's central and state governments have laid the foundation for the investment landscape, resulting in remarkable advancements in the Ease of Doing Business (EoDB) rankings. This figure gives an overview of the measures driving foreign investment.

Efforts to develop world-class infrastructure have significantly improved logistics across India. These advancements are helping reduce supply constraints, lower production costs and increase efficiency. The enhanced logistics will drive greater demand, fostering economic growth and strengthening the country's competitiveness in domestic and global markets.

Key government initiatives and investments

Aug 2016

Insolvency and Bankruptcy Code
- Led to the recovery of 32.1 percent of bad loans in Q1 FY2025 against 15 percent earlier.

Jul 2017

GST
- GST replaced over 25 indirect taxes at the national and state levels.
- It has simplified compliance, reduced tax cascading and promoted transparency across sectors.

Aug 2019

National Infrastructure Pipeline
- NIP currently has over 9,666 projects and schemes covering 37 sub-sectors (as on 12 April 2024), with projects worth INR 108 trillion under implementation.

Apr 2020

Recapitalisation and consolidation of public-sector banks.
- Merger of 10 nationalised banks into four large lenders, thereby bringing down the number of PSBs to 12.
- By April 2020, 10 PSBs have been merged into 4 big banks, making a total of 12 PSBs (from earlier 27).

Nov 2020

The PLI scheme for manufacturing
- INR 1.3 trillion investment committed (43 percent of INR 3 trillion commitment) by May 2024.

Aug 2021

National Monetisation Pipeline
- Monetisation potential of ~US$70 billion between FY2022-25.
- The plan has monetised assets worth INR3.85 trillion by FY2023-24.

Oct 2021

PM Gati Shakti National Master Plan
- A ~US$1.2 trillion plan to build a holistic infrastructure.
- As of March 2024, 43 ministries have been onboarded on the PMGS-NMP portal.
- 149 project proposals with a total estimated project cost of INR13.3 trillion have been evaluated.

Sep 2022

National Logistics Policy
- Reduction of logistics cost from 13-14 percent of GDP to 8 percent by 2030.
- 26 states have notified their state logistics policies .
- Over 614 industry players have registered on ULIP.

Jun 2024

Industrial park
- Investment-ready "plug and play" industrial parks in 100 cities.
- Twelve industrial parks under the National Industrial Corridor Development Programme.

Feb 2025

Diversifying investments
- National Geospatial Mission to develop foundational geospatial infrastructure.
- 3 year pipeline of infrastructure projects that can be implemented in the PPP mode.
- INR 1.5 lakh crore is proposed for the 50-year interest-free loans to states for capital expenditure.

Additional incentives for infrastructure and manufacturing development
- Investments under the Semiconductor Mission launched in December 2021 amount to INR1.50 trillion.
- The rules for the Digital Personal Data Protection (DPDP) law are ready and will be released for public consultation in 2024.
- More than 1.9 million candidates have signed up on the "FutureSkills PRIME Portal" by the government for re-skilling and upskilling IT workforce in 10 emerging technologies, including Artificial Intelligence (AI).

Sources: NIP – Report of the task force, DEA, GoI,SBI report, News articles, PIB

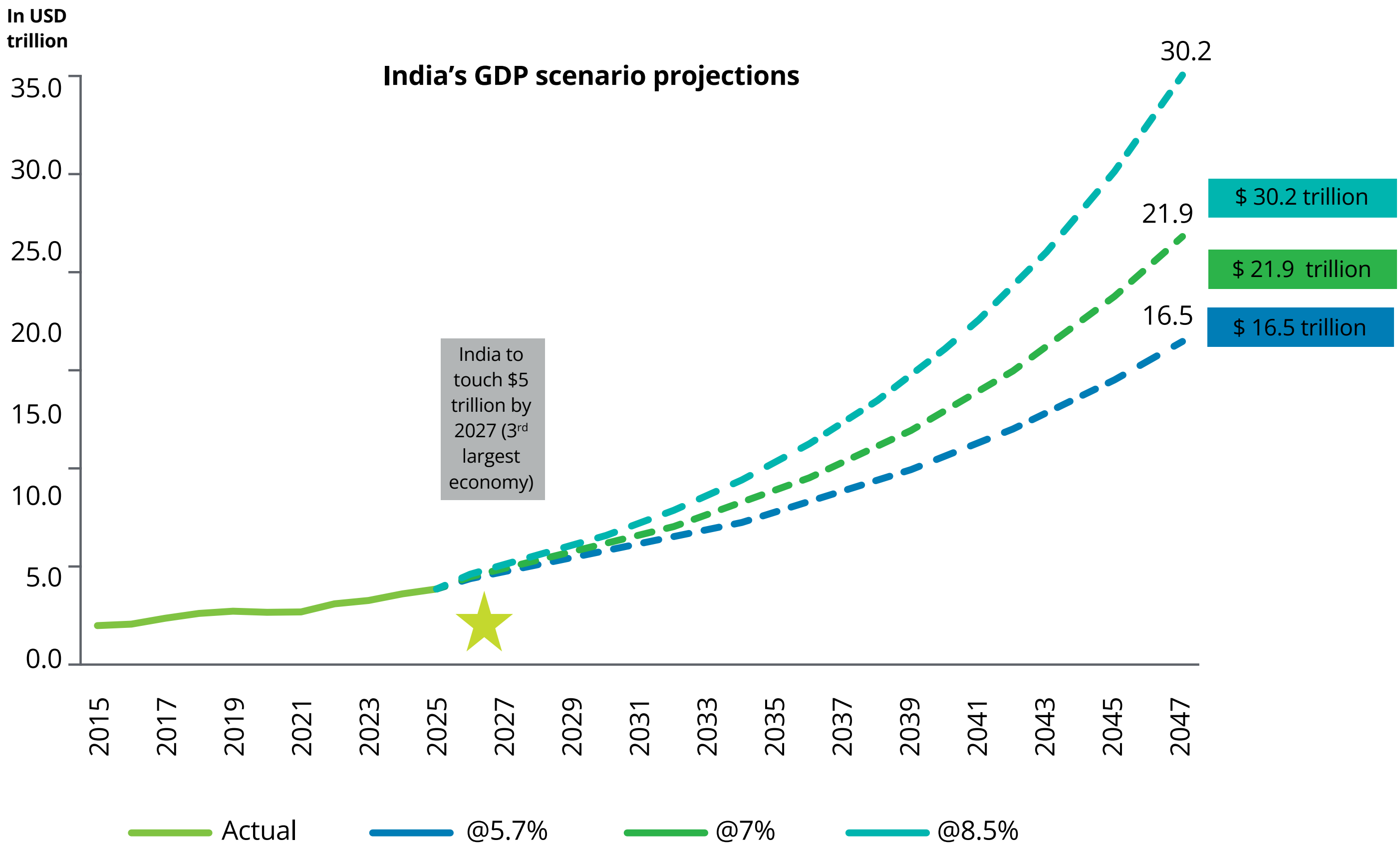
While these transformative policies have established India as a dynamic hub for growth and innovation, some challenges need attention. Covering infrastructure gaps, enhancing regulatory clarity and ensuring consistent policy implementation are key to sustaining this growth. India's outlook remains positive with abundant opportunities, but overcoming these challenges is essential to realising its full potential.

India's business environment

Policy and regulation	Infrastructure	Access to resources	Innovation and entrepreneurship	Market environment	Governance and administration
Ease of doing business	**Physical infrastructure**	**Finance**	**Research and development**	**Competition**	**Transparency**
The National Single Window System gives access to 616 central and 4,233 state approvals via a one-stop-shop digital platform.	A major push is evident with INR 11.2 lakh crore (3.14 percent of GDP) allocated for 2025–26, a threefold increase from 2019.	Steps such as the introduction of the Emergency Credit Linked Guarantee Scheme instill confidence that access to finance is made more certain for MSMEs.	India currently ranks sixth globally in R&D investment in terms of US$ Purchasing Power Parity (PPP), with spending on R&D consistently increasing.	The Competition (Amendment) Act, 2023 is a positive step towards ensuring fair competition. In addition, various PLI schemes help to enhance Indian companies' globally competitiveness.	Various e-governance portals and initiatives have created a healthy and thriving channel between citizens and the government, enabling faster delivery of services.
Taxation	**Digital infrastructure**	**Skilled labour**	**Intellectual property**	**International trade**	**Judicial reforms**
The direct tax amendments in recent budgets are aimed at bringing in a predictable and stable tax regime.	The modular layers of India's Digital Public Infrastructure, popularly known as – "India Stack", create opportunities for innovation, inclusion, and competition in the digital realm.	The India Skill Report 2025 reveals an improvement in overall employability among young people, increasing from 46.2 percent in 2022 to 50.4 percent in 2025.	The government is creating a National Intellectual Property Policy and has announced the setting up of a new Intellectual Property Office.	The new Foreign Trade Policy (FTP) 2023 is based on four pillars: Incentive to remission, export promotion through collaboration, ease of doing business, and emerging areas.	Guardrails such as the Commercial Courts and the Arbitration and Conciliation (Amendment) Act point to the right direction.

Achieving the "Viksit Bharat" vision: India aspires to attain the developed nation status by its 100th Independence Day. Sustained growth of 8.5 percent annually over the next 25 years could make this vision a reality. By 2047, the economy is projected to reach a size of about US$30.2 trillion, driven by a rising share in global manufacturing and a growing consumer base bolstered by exports. This transformation would result in a per capita GDP nearly five times its current level, reflecting holistic and inclusive growth.

Sustained 8.5 percent growth could position India as a Viksit Bharat, with its economy reaching about US$30 trillion by 2047. India is on track to transition into a high-income nation in the next few decades by focusing on increasing its manufacturing share and expanding its consumer base through exports. This transformation would enhance its global economic standing.



Indicator	2024	2047
Per capita GDP (US$)	US$2,564	US$18,000 - 21,000
Manufacturing (% of GDP)	14.3%	25%
Exports (% of GDP)	2.0%	10.0%

Sources: CMIE, Deloitte calculations

A preview of developed India

Viksit Bharat envisions India as a global leader across key sectors, driven by robust advancements in the four pillars mentioned earlier—infrastructure, demographics, technology and sunrise industries. By 2047, India aims to be a semiconductor hub, fuelling high-value manufacturing and innovation. Universal skilling programmes will ensure 100 percent workforce competence, with women's participation soaring to 82 percent. Rapid urbanisation will transform India into a 93 percent urban economy, fostering economic dynamism and global competitiveness. Additionally, sustainable practices will enable a 55 percent reduction in carbon emissions, aligning growth with environmental stewardship. This vision reflects holistic progress, empowering India to achieve the developed nation status on its centenary.

Technology

	2024	2047
Rank on the Government AI Readiness Index	40	Top 5
Space Technology and Exploration	**Top 5** spacefaring nations	**Top 3** global space powers
Quantum Computing and Emerging Tech the global quantum ecosystem	Early stage	**Major player** ranking within the top 5
Digital Infrastructure & Connectivity	5G rollout	**6G or 7G** world's most digitally connected nation
Ranking in global innovation index	40th (2022)	Top 5

Infrastructure

	2024	2047
National highways network	1,45,240 km	+ 50,00 km high-speed highway
Railway route length	68,043 km	+1,00,000 km
Number of operation airports	157	350
Cargo handling capacity at ports	2,600 MT	10,000 MT
Urbanisation	35.4%	78-93%

Sunrise sector

	2024	2047
Reduction in Carbon Emission intensity from 2005 levels	~33%	>55%
Renewable energy, installed capacity (GW)	191	1500
Semiconductor Manufacturing	Dependent on semiconductor imports	A semiconductor manufacturing hub
Electric vehicle penetration	18% (2023)	87%
Domestic production of semiconductors	~10%	50%

Economy & demography

	2024	2047
Employment in highly skilled jobs	32%	100%
Rank in gender equality index	122th	Top 10
Literacy rate	77%	100%
Human Development Index (Value)	0.64	0.9
Women labour force participation (%)	35.4%	74-82%

Sources: Niti Aayog approach paper, PHDCCI, PIB, Economic Times, CXOtoday

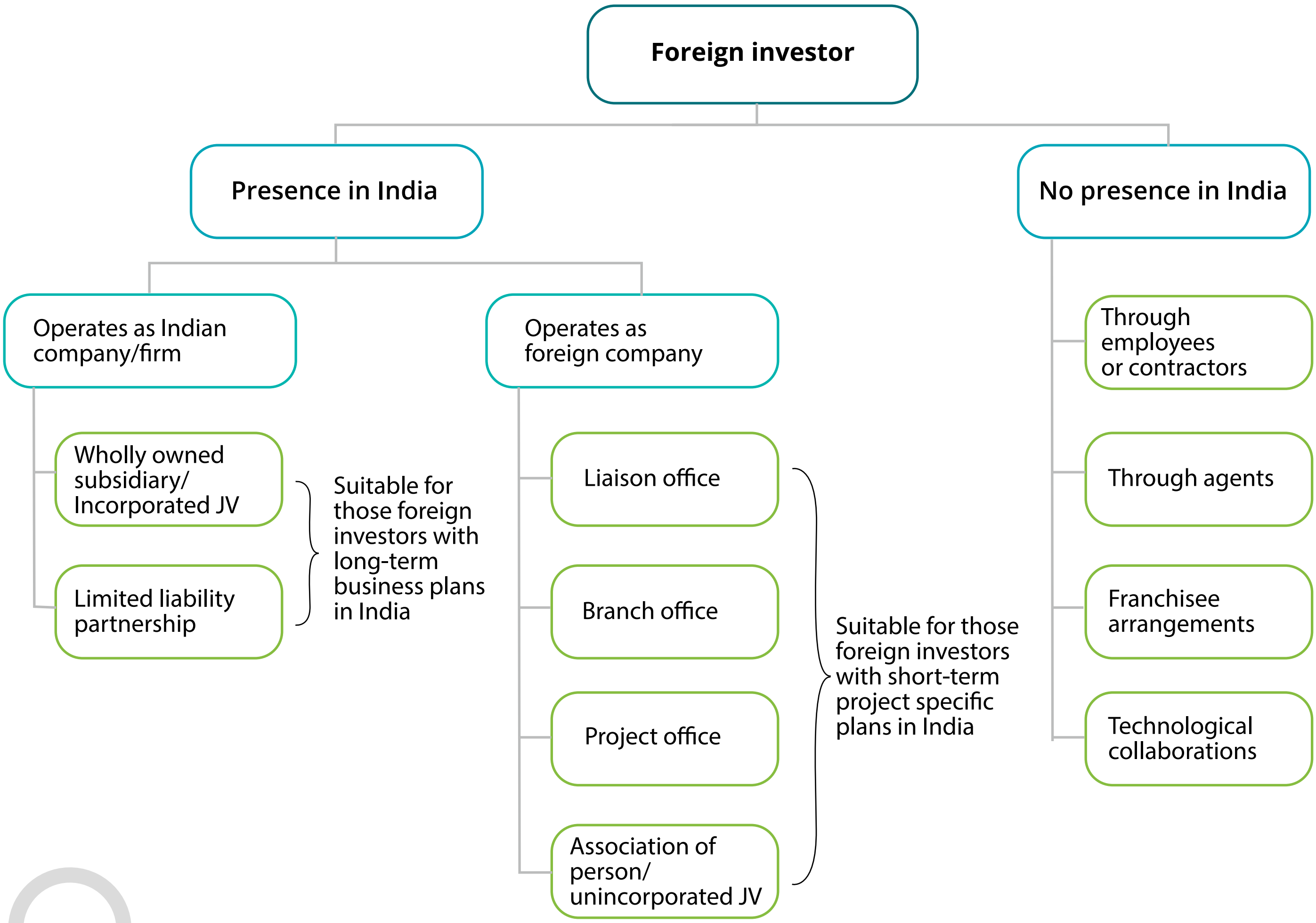
(B) Setting up in India

Understanding various business structures in India helps MNCs choose the set-up that best aligns with their goals. Additionally, selecting an optimal business location is key, with factors such as market access, talent availability and regulatory environment playing a crucial role in achieving business success in India.

B.1. Forms of doing business

The right business entity structure is crucial for the success of any business in India. Each business entity has advantages and disadvantages, legal requirements and tax implications.

Understanding the key characteristics will help MNCs make an informed choice that aligns with their business objectives and goals. MNCs can operate through any business form in India – even without establishing their presence in India. Some are outlined below.

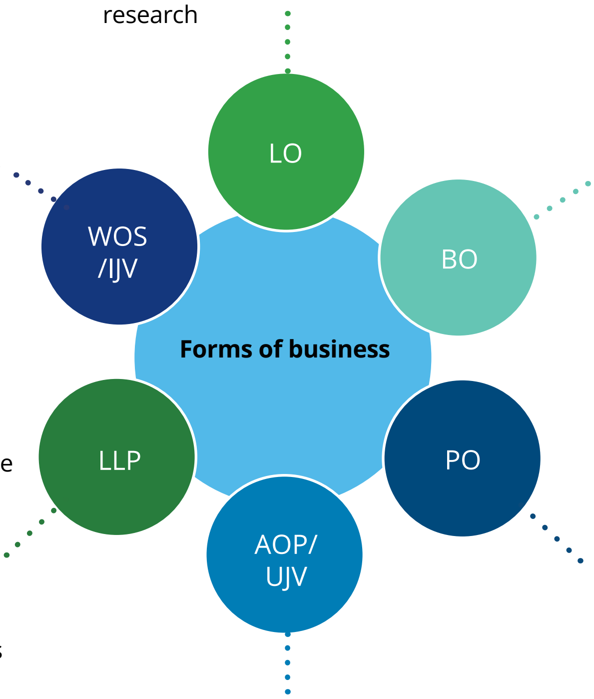


The key tax and regulatory implications of each form of business presence are depicted below:

Liaison office
- Acts as communication channel/information collection
- Generally permitted under automatic route for set up and closure
- No commercial activities/income-earning activity
- Not considered a taxable entity
- Incase activities go beyond what is permitted, taxable presence exposure exists
- Suitable for business development/market research

Wholly owned subsidiary/ incorporated joint venture
- Any activity subject to the FDI regulations requires compliance with valuation, sectoral caps, reporting compliances, etc.
- Income taxable @ 15/22/25/30 percent* depending on prescribed criteria
- Income from buyback of shares taxable in the hands of shareholders as dividend.
- Suitable for long-term business operation

Branch office
- Automatic route for eight prescribed set of activities
- Income taxable @35 percent*
- No tax on profit repatriation
- Easy to set up and wind up



Limited liability partnership
- Any activity subject to the FDI regulations requires compliance with valuation, sectoral caps, reporting, etc.
- Income taxable @30 percent*
- No tax on profit repatriation
- Suitable for long-term business operations

Project office
- Project/contract based
- Automatic route for set up and closure subject to specified conditions
- Income taxable @35 percent*
- No tax on profit repatriation
- Suitable for entities undertaking EPC project(s) in India

Association of persons/unincorporated joint venture
- Opening of bank account–Automatic route–for execution of contract in India
- Income taxable @35 percent,* if there is a foreign partner/venture
- Suitable for short-term business operations in consortium

*plus applicable surcharge and cess

The choice of the entity structure for investment in India should be based on the nature of the activities, investment period (long term or short term), business model, and tax considerations contemplated for Indian operations.

Typical instruments used for investing

Foreign investors can fund Indian WOS/JV through the following modes:

- Equity funding: No direct obligation to repay funds
- Debt funding: Direct repayment of funds on maturity in India

Various instruments typically used by foreign investors for equity and debt funding are depicted below.

Foreign investor

Equity funding

Hybrid instruments

Equity

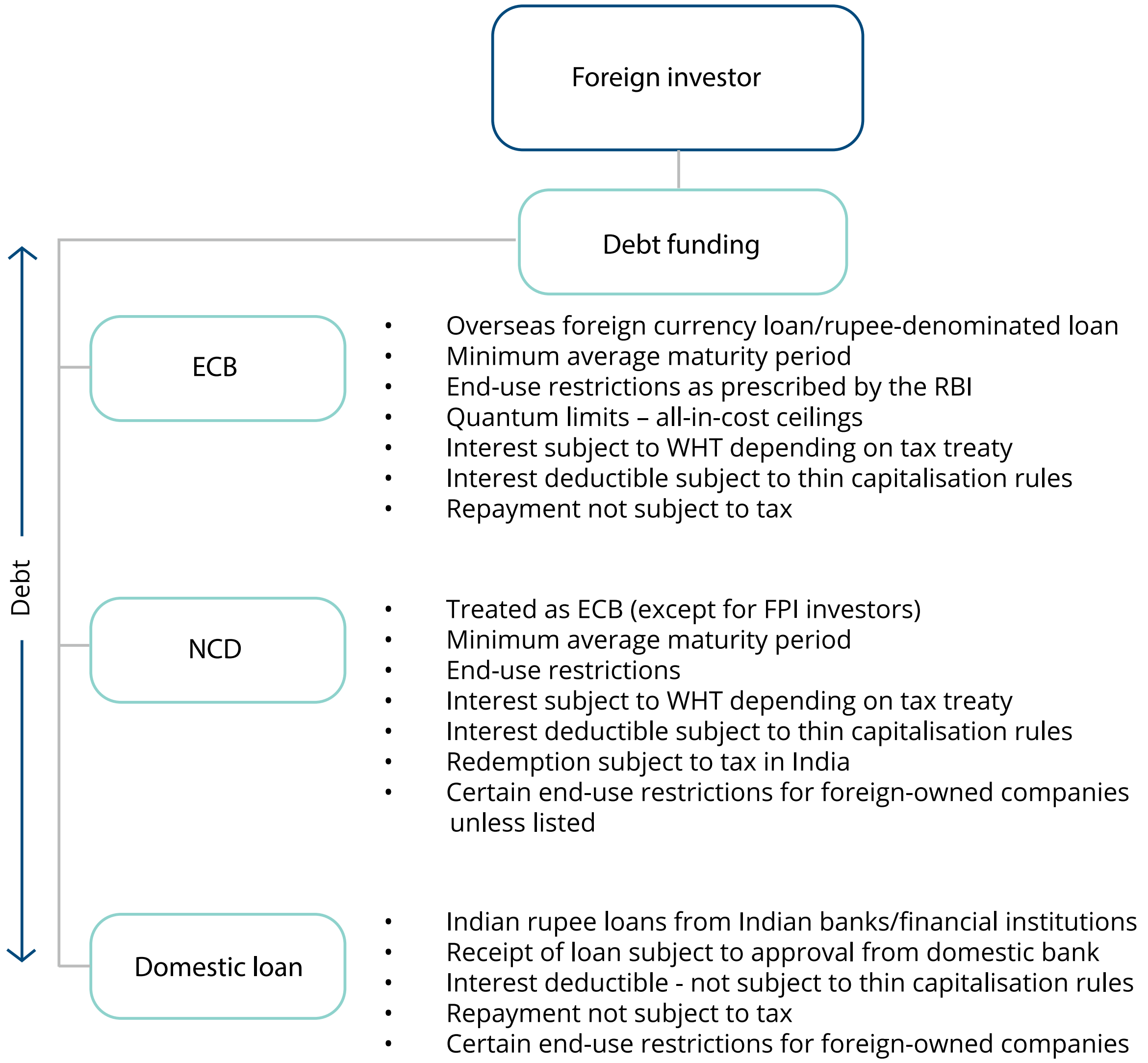
- Represents common stock with voting rights
- Subject to FDI policy and VG
- No end-use restriction
- No fixed returns
- Tax implications in the hands of shareholders, if the issue price is less than fair value
- Dividend subject to WHT depending on tax treaty
- Sale/transfer subject to tax in India

CCPS

- Carry a preferential right to dividends and repayment of capital
- Compulsorily (cannot be redeemed) converted into equity
- Subject to FDI policy and VG
- No end-use restriction
- Fixed returns
- Conversion formula to be determined upfront
- Tax implications in the hands of shareholders, if the issue price is less than fair value
- Dividend subject to WHT depending on tax treaty
- Sale/transfer subject to tax in India
- Compulsory conversion in equity shares in 20 years

CCDs

- Debt instruments until converted into equity
- Subject to FDI policy and VG
- No end-use restriction
- Fixed returns
- Compulsory conversion in equity share in 10 years
- Conversion formula to be determined upfront
- Tax implications in the hands of shareholders, if the issue price is less than the fair value
- Dividend and interest subject to WHT depending on tax treaty
- Interest on CCDs deductible subject to thin capitalisation rules
- Sale/transfer subject to tax in India



Commercial imperatives, such as ease of funding, the period for which a loan is required, end use of the loan, tax cost, overall cost of capital, cash repatriation to the overseas parent and facilitating ease of exit are important considerations.

Typically, equity, preference shares, debentures (convertible and non-convertible), loans and other options are adopted to make the most efficient use of available resources.

B.2. Choice of business location in India

India has multiple states, each with its own set of policies, regulations and incentives to attract investments. Some state and central government incentive/tax benefit schemes may affect investment decisions.

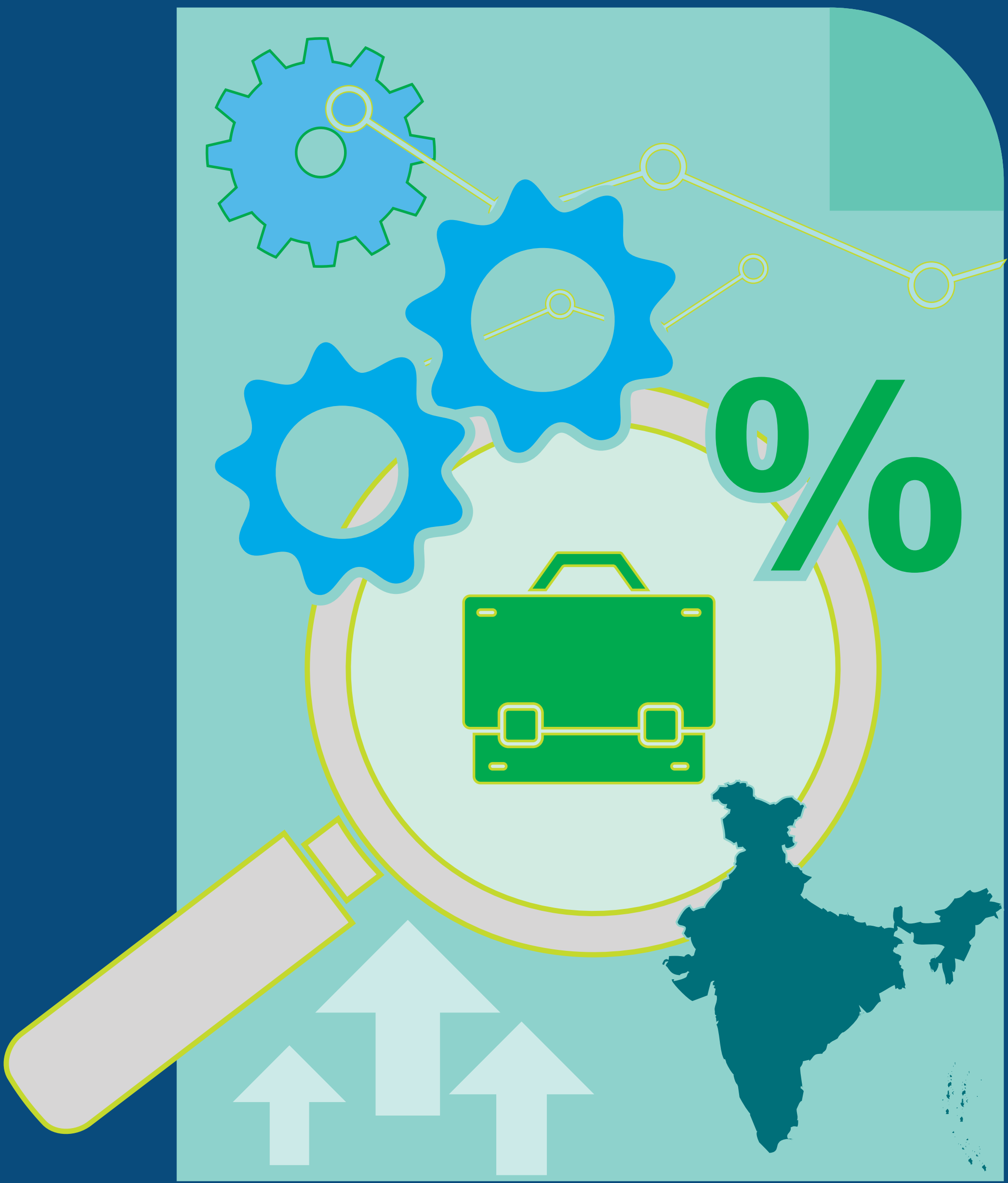
State government

- State industrial policies (benefits depend on chosen district, investment proposed, employment generation possibilities, etc.)
- Sector-specific policies, viz. aerospace and defence, MRO, biotechnology, electronic systems, IT and IT-enabled services; tourism, renewable energy, automotive, electric vehicles, logistics, textile, MSME, start-ups, telecom, etc.
- Customised package of incentives possible for large investment projects

Central government

- PLI schemes for specific sectors, incentives for some sectors are under review
- Capital subsidies for SPECS (electronic components and semiconductors)
- Export-linked incentives, such as rebates, exemptions and credit scrips of duties and taxes
- Location specific (Northeast, special zones)
- Special customs programmes for duty concessions and deferrals (in bond manufacturing and project import scheme.)

(C) Essential insights for doing business in India



C.1. Tax landscape

For investors planning to invest in India, understanding the tax landscape is essential to assess potential liabilities, optimise tax structures and ensure compliance with local regulations, ultimately safeguarding returns and minimising risks. Navigating the tax landscape in India requires understanding the nuances of diverse tax areas, such as income tax, transfer pricing, business restructuring, employee taxation and indirect taxes.

A new simplified Income Tax Bill was introduced in February 2025 to increase tax certainty, reduce litigation and achieve overall good governance. The new Bill is concise (close to half of the text/chapters contained in the present law). The new income tax law is expected to come into effect from 1 April 2026.

Key features of the present income tax law are discussed below.

C.1.1. Income tax

Overview

- The tax year (termed 'financial year') runs from 1 April to 31 March. Each person is required to file a separate income tax return, and no consolidation is possible.
- Residents are taxed on worldwide income (certain carve-outs for RNOR); non-residents are taxed on India-sourced income/deemed accrual in India or receipts/deemed receipts in India.
- An individual's residential status is determined by the number of days they stay in India.
- A company is a resident in India if it is incorporated in India or its PoEM is in India.
- A partnership firm/LLP/other non-individual entity is resident in India if any part of the control and management of its affairs is in India.

Levy and collection

- Income tax is imposed under five major heads:
  a. Salaries that are taxed on the earlier of due or receipt.
  b. Income from building and related land that is taxed on higher of actual or expected yield value of property.
  c. Business and professional income that is taxed on a net income, either on a cash or accrual basis.
  d. Capital gains that are taxed on transfer/alienation of property and subject to specified calculation mechanism.
  e. Residual items of income (including passive income), that are taxed on a cash or accrual basis.
- Tax holidays, exemptions, special deductions, concessional and/or presumptive tax regimes are available subject to certain conditions. Examples include tax holiday for start-ups, pass through status to real estate and infrastructure investment trusts, incentives to undertake infrastructure development projects and affordable housing projects, incentives for units set up in the IFSC. MAT/AMT is levied where normal taxes are lower than MAT/AMT thresholds due to tax holidays, concessions, etc.
- Tax collection is primarily done through withholding/collection of taxes at source and tax prepayments, though the final tax is determined and paid before filing the tax return.
- Credit is available for foreign taxes on income to the extent of Indian taxes, subject to rules and treaties.

Tax rates for certain specific cases

- A concessional rate of 10 percent plus applicable surcharge and cess is available for royalties of patents developed and registered in India.
- Other passive income for residents (including foreign-sourced income) is taxed at regular rates applicable to other types of income.
- Non-residents are taxed on dividends, interest, royalty and fees for technical/included services at 20 percent plus surcharge and cess. These rates are subject to treaty benefits.
- In certain specific cases, lower rates may apply subject to certain conditions.
- Dividends and buy-backs are taxed in the hands of shareholders, as dividend in both cases. Onward distribution of dividends received from subsidiaries to shareholders is not taxed if done within a specified period.

Losses and unabsorbed depreciation

- Real property-related, business and capital losses can be carried forward for eight years, with set-off allowed against similar income. There are certain monetary limits on real property related losses in some cases.
- Long-term capital losses can offset only long-term capital gains.
- Unabsorbed depreciation can be carried forward indefinitely.
- Change in shareholding of a private company beyond a specified threshold disentitles carry forward of losses with certain relaxation provided to eligible start-ups. There are no carry back provisions for any losses.

1.1.1. Tax rates

General tax rates for corporate/non-corporate entities

Type of company/income	≤ INR 10 million		≤ INR 100 million		> INR 100 million	
	Normal	MAT	Normal	MAT	Normal	MAT
Domestic company: Normal rates	31.2	15.6	33.4	16.7	34.9	17.5
Domestic company: Turnover ≤ INR 4 billion in the FY two years prior	26	15.6	27.8	16.7	29.1	17.5
Domestic company: Foregoing specified incentives/deductions	25.2	Not applicable	25.2	Not applicable	25.2	Not applicable
Domestic manufacturing company set-up after 29 February 2016; foregoing specified incentives/deductions	26	15.6	27.8	16.7	29.1	17.5
Foreign company	36.4	15.6	37.1	15.9	38.2	16.4

1.1.2. Capital gains tax rates

Particulars	Tax rate#
Long term*	
• Securities listed on a recognised stock exchange in India (other than specific assets referred to below where income is deemed to be short-term)/units of UTI/units of equity-oriented funds/listed zero coupon bond • Slump sale of undertaking • Unlisted securities and unlisted shares of a closely held company • Other capital assets, including immovable property	12.5 percent
Debt-oriented mutual funds acquired after 1 April 2023/market-linked debentures/unlisted debentures/unlisted bonds (income is deemed to be short-term capital gain)	Normal tax rates
Short term*	
Shares listed on a recognised stock exchange in India/units of business trust/units of equity-oriented funds	20 percent
Other capital assets, including immovable property	Normal tax rates

**12 months for securities listed on a recognised stock exchange in India/units of UTI/units of equity-oriented funds/zero coupon bond; 36 months for slump-sale and 24 months for other assets*
#without the benefit of any inflation adjustment

- The rates mentioned above are increased by:
  - a “surcharge” of 7 percent for income > INR 10 million and 12 percent for income > INR 100 million for domestic companies; and 2 percent for income > INR 10 million and 5 percent for income > INR 100 million for foreign companies
  - a “health and education cess” at 4 percent of the “base tax plus surcharge”

1.1.3. International tax, treaty network, MLI

1. DTAA is a bilateral agreement entered between two countries to protect taxpayers against double taxation, encourage the free flow of international trade and capital and share revenue between two states.

2.
   - India has one of the largest DTAA networks and signed about 100 comprehensive tax treaties and about eight limited tax treaties.
   - MLI helps implement the recommendations of BEPS Action Plans alongside existing bilateral tax treaties (obviating the need for treaty renegotiation) in a synchronised and efficient manner. It helps to (a) combat treaty abuse, (b) improve dispute resolution, (c) prevent the artificial avoidance of PE status and (d) neutralise the effects of hybrid mismatch arrangements. At present, India has entered into covered tax agreements with 93 countries, 13 regional trade/free trade agreements and more than 15 social security agreements.

1.1.4. Key developments in direct taxes

(A) GAAR

What is GAAR?

A set of anti-avoidance rules that apply to an arrangement entered into by the taxpayer, which is declared as an impermissible avoidance arrangement.

Applicable from 1 April 2017

Impermissible avoidance arrangement

↓

The main purpose is to obtain tax benefits and satisfy any of the following conditions:

- Creates rights and obligations not normally created in arm's length transactions
- Results in direct or indirect misuse or abuse of the provisions
- Lacks or is deemed to lack commercial substance in whole or part
- Is not bona fide

Pre-requisite for GAAR to apply

- Tax benefit arising to all parties to an arrangement during a year exceeds INR 30 million.
- All investments made before 1 April 2017 are grand-fathered.

- In India, GAAR was introduced to curb tax evasion and aggressive tax planning practices.
- GAAR and the MLI are tools used by countries to combat tax avoidance and ensure that there is no improper tax planning per domestic tax laws and tax treaties, respectively.

(B) BEPS recommendations incorporated

(i) Thin capitalisation rules

Restriction on interest deductions

- To protect against thin capitalisation, interest payment by Indian AEs to foreign AEs/for loans guaranteed by foreign AEs limited to 30 percent of EBITDA, subject to certain exceptions.

Combating digital economy challenges – SEP and widened definition of business connection

- A "significant economic presence" can lead to a taxable presence in India, subject to treaty benefits, if any. This includes the following:
  – Transactions > INR 20 million (~US$0.23 million) in aggregate with persons in India
  – Systematic and continuous solicitation of business/interaction with > 300,000 users
- Agents who habitually play the principal role leading to the conclusion of contracts, can now trigger a business connection in India.

(E) India's perspective on the OECD Two-Pillar solution

Globally, about 50 countries have adopted the Pillar Two law into their domestic legislation (hereinafter referred to as "Pillar Two countries"), but there has been no policy announcement on Pillar Two in India. However, this does not absolve India-based MNEs from undertaking Pillar Two-related calculations and compliances. In other words, India-headquartered MNE groups with a presence in Pillar Two countries, will be required to undertake Pillar Two-related calculations and compliances, even in the absence of Pillar Two Law in India. Let us understand this with the help of an example. An India-based MNE has revenue in excess of EUR 750 million and subsidiaries in the UK, France, the UAE and Bangladesh. Since the UK and France are Pillar Two countries, the MNE group is in the scope of Pillar Two and required to calculate the Pillar Two ETR of each of the 5 countries in which it operates. In case the ETR of any of the 5 countries, including India, is less than 15 percent, a 'top-up tax' liability under Pillar Two could arise. The fact that India and the UAE have not adopted Pillar Two Law and Bangladesh is not an Inclusive Framework member, is not relevant. This would require Indian MNE groups to undertake an immediate impact analysis of the Pillar Two Law on the group and provide for "top-up taxes", if any, in its quarterly consolidated books of account.

Further, accounting disclosures for Pillar Two impact have been mandated by Pillar Two countries under IFRS/local GAAP. Additionally, some Pillar Two countries, such as Belgium and the UK, have introduced the requirement for local Pillar Two registrations.

1.1.5. Latest trends in the Indian tax system and digitalisation

Highly digitalised tax system in India

Integration of labour laws

Labour regulations have been consolidated into 4 labour codes. The new labour code is expected to be made effective in the future.

Income tax

- A new and simplified Income Tax Bill has been introduced in February 2025.
- Digitalised tax compliance, payment and administration.
- Electronic filing of income-tax returns started in 2006[1] All income-tax returns are now filed electronically.
- Audits, penalties, first-level appeals and information collection are now anonymised (with some exceptions) and conducted electronically.
- This will be expanded to second-level appeals, rectifications and tax demand collection matters.

New income tax website

- A new electronic filing website was launched in 2021 and the shift to anonymised electronic interaction with tax authorities is well received across the board.[2]
- Features of the new electronic filing website include pre-filled tax returns (for individuals), speedy processing (average time reduced to 10 days),[3] integration of banks for swift tax payments, annual information statements with detailed information to enable the filing of tax returns.

Key attributes of digitalisation

- Minimising complexities in filing tax returns.
- Compliance monitoring, simplifying reconciliation and audit processes.
- Sequential filing of GST returns promoting better compliance and hygiene, and enhancing visibility and transparency.

GST and customs

- Manage tax-related processes using digitalised tax compliance and reporting.
- Phased implementation of e-invoicing has facilitated the process and enabled healthier public perception.
- Pre-filled returns based on invoices uploaded by the taxpayer and its vendors.
- Auto generation of notices to taxpayers due to mismatch of tax liability or input tax credit during reconciliation.
- Electronic refund processing, notice issuance and reply filing; where necessary, meetings are held with authorities.
- Electronic filings/exchange of information on customs clearance procedures.

Use of technology by tax administration

- Tax administration using extensive technology to streamline compliance, data tracking, processing and analytics, outreach and audits
- Extensive tax audits under automation of data population on tax portals
- Adoption of electronic processes to gather "business intelligence" for assessing compliance done by businesses
- Tax administration streamlining the use of technology and information between corporate taxes and GST for the audit purpose

[1] https://incometaxindia.gov.in/pages/about-us/history-of-direct-taxation.aspx
[2] Deloitte survey report dated 19 May 2023 - Income-tax digitalisation in India
[3] Press release PIB1954913 dated 5 September 2023

C.1.2. Transfer pricing

Introduction of transfer pricing in India

Consequent to the economic liberalisation in 1991, MNCs have made significant FDIs in India. The growth of MNCs over a decade since then, coupled with the development of TP guidance by the OECD and regulations in several jurisdictions, triggered the need with curb potential tax avoidance arising out of profit shifting due to international transactions between AEs of an international/multinational group. To prevent erosion of the tax base, TP regulations were implemented by India as a special anti-avoidance measure in 2001.

1.2.1. Applicability of transfer pricing in India

Meaning of AE

Indian TP regulations specify that two or more enterprises become AEs when one of them participates, directly or indirectly, or through one or more intermediaries, in the management, control or capital of the other enterprise(s). These regulations cover certain circumstances under which two enterprises shall be deemed to be AEs.

International transaction

TP applies when an international transaction occurs between two or more AEs, i.e., group companies that are part of the same international group.

Specified domestic transaction

Under/over-invoicing of expenses among domestic parties is revenue neutral but shifting profits to entities claiming tax incentives may lead to government revenue loss. To address this, Indian TP regulations have been extended to include certain “specified domestic transactions” between companies and their Indian group companies if the total value exceeds INR 200 million.

Deemed international transaction

Further, India's TP law covers transactions between an enterprise and a third party as deemed an international transaction, if (a) there exists a prior agreement between the third party and AE, or (b) the terms are determined in substance by the AE.

TP methods in India

Consistent with international practice, the methods adopted in India for determining an arm’s length price are broadly similar to those outlined in Chapter II of the OECD Guidelines, including comparable uncontrolled price, resale price, cost plus, profit split and transactional net margin method.

Three-tier documentation in India

In 2016, India adopted the three-tier TP documentation structure as prescribed in the OECD BEPS Action Plan 13. The documentation comprises the local file, master file and the country-by-country report, which is consistent with the OECD Guidelines on BEPS Action Plan 13. The details are captured below.

BEPS action 13: Three-tier documentation requirement

Local file

- Taxpayers with international transactions (including deemed international transactions) of more than INR 10 million or specified domestic transactions of more than INR 200 million need to maintain a local file. The information requirement is in line with the OECD BEPS Action 13.
- Taxpayers are also required to file an Accountant's report, disclosing all international transactions, deemed international transactions (no minimum threshold) and specified domestic transactions (over INR 200 million).
- The local file needs to be maintained within the due date and submitted only if requested by the tax authorities. It is also applicable to non-resident entities with international transactions in India.
- The local file includes group overview, taxpayer overview, industry overview, management structure, details regarding AEs and international transactions and/or specified domestic transactions, functional assets and risk analysis, as well as economic analysis of international and/or specified domestic transactions.

Master File (MF)

- Applicable to all constituent entities of an International Group. However, filing can be done by any one entity in India.
- Intended to provide a high-level blueprint of the IG's transfer pricing policies such as description including supply chain, value drivers, geographical markets, functional analysis, business restructuring, details regarding description, legal and economic ownership of Intellectual Property (IP), financial arrangements, consolidated group financial statements and description of APA rulings.
- The Indian regulations require certain additional information beyond the requirements per the OECD guidelines. In India, the MF has to be filed within the due date of filing the income tax return.
- The MF in India comprises two parts—Part A (applicable to all IGs) and Part B (applicable if group turnover is greater than INR 5 billion and if either of the following conditions are met):
  – Quantum of international transactions is greater than INR 500 million or
  – Quantum of international transactions related to IP is greater than INR 100 million

Country by Country (CBC) report

- Filing of CBC report/CBC notification by every constituent entity of an IG.
- Threshold—MNEs with annual consolidated group revenues of or above INR 64 billion (Approx EUR715 million) in the previous fiscal year.
- The report's contents align with OECD BEPS Action Plan 13. It generally includes details related to group revenue, profit before taxes, cash tax paid, current tax accrual, capital and retained earnings, net block value of tangible assets, number of employees, list of constituent entities and permanent establishment of each jurisdiction, etc.

Penal consequences

Non-compliance with the documentation requirements in India has penal implications for non-maintenance/filing of the required forms/documents within the prescribed due date.

1.2.2. Transfer pricing dispute resolution mechanisms in India

- In India, the scrutiny/TP audits by field-level officers are considered stringent compared with other jurisdictions. To address this perception, India has introduced safe harbour regulations and instituted APA as a key dispute prevention mechanism, which is now the most sought-after mechanism by taxpayers due to better outcomes. In addition, taxpayers can resort to MAP under the relevant tax treaty, apart from proceeding with domestic litigation at the appellate levels.
- Furthermore, the Budget 2025 has introduced block transfer pricing assessments to streamline audits by allowing taxpayers to be assessed over a block of three assessment years, reducing the frequency and administrative burden of audits. The objective is to ensure greater consistency and predictability in tax assessments, while the detailed guidelines are awaited.

(A) Safe Harbour rules (SHR)

- SHR was introduced as an alternative TP dispute prevention mechanism, under which, in certain circumstances, tax authorities accept the transfer prices declared by the taxpayer without undertaking a detailed audit. The said rules are updated at regular intervals for each financial year.
- In a certain category of transactions, SHR allows low-risk-bearing taxpayers, who are parties to eligible transactions, to maintain an operating profit margin as prescribed in the SHR. These rules also enable taxpayers to take recourse to otherwise controversial transactions, such as payment of intra-group services charges, subject to certain scopes and amount thresholds.
- The scope of safe harbour provisions was expanded to cover certain foreign companies engaged in the business of diamond mining and the sale of raw diamonds from any notified special zone(s) in India. The new rule, effective retrospectively from 1 April 2024, outlines criteria for eligible businesses and taxpayers. A minimum profit margin of 4 percent on gross receipts is required to qualify for safe harbour, eliminating the need for complex transfer pricing assessments.
- The Budget 2025 further aims to expand the scope of Safe Harbour Rules for which detailed guidelines/ notifications are awaited.

(B) Advance Pricing Agreement (APA)

- An APA is an agreement between a taxpayer and the CBDT to determine the arm's length price of existing and future international related party transactions.
- APA was introduced in India vide the Finance Act, 2012 effective FY 2012–13. Since its introduction, several MNCs have sought confirmation on their transfer price through the APA mechanism, saving time and cost on prolonged TP litigation. It has successfully tracked TP dispute resolution in India. The salient features of the APA are captured below:

Types of APA
- Unilateral APA
- Bilateral APA
- Multilateral APA

Pre-filing (optional)
- Pre-filing is optional
- It is possible on a "no-name" basis

Period of APA coverage
- Five prospective years (advance years)
- Four rollback years immediately preceding the advance APA years

When to apply: In case of existing transactions

APA application to be filed before the first day of the financial year which is part of advance years

When to apply: In case of new transactions

For new transactions, APA application should be filed before the commencement of such transaction

The detailed procedure for filing an APA in India, along with filing fees, is captured in relevant sections/rules of the applicable India transfer pricing regulations.

- **India APA statistics:** The CBDT achieved a record by concluding 174 APAs in FY 2024-25. Notably, FY 2024-25 also saw the signing of India's first-ever multilateral APA. With this, the CBDT has concluded a total of 815 APAs (615 unilateral APAs, 199 bilateral APAs and 1 multilateral APA) from FY 2012-13 until FY 2024-25. The number of unilateral and bilateral APAs concluded has increased, indicating the CBDT's commitment to making APAs successful and facilitating improved litigation management in India[4].

(C) Mutual Agreement Procedure (MAP)

- MAP is an alternate tax dispute resolution mechanism available to the taxpayer for the resolution of international TP disputes incorporated in the Double Tax Avoidance Agreement (DTAA) of many countries.
- MAP entails resolving disputes through the intervention of each country's Competent Authorities (CAs), who evolve a mutually acceptable solution.
- MAP can help relieve double taxation either fully or partially and relief provided under MAP is in addition to domestic dispute resolution mechanisms.
- MAP application is filed when the taxpayer considers that the action of the tax authority of one or both contracting states results in taxation not per the treaty.

(D) Block assessment for three years

- **Applicability:** Under the block assessment provisions, the ALP determined in relation to an international transaction/specified domestic transaction for any previous year will apply to similar transactions for the immediately succeeding two years, if the taxpayer opts to be covered by the block assessment provisions. The said provision will be applicable with effect from 1 April 2025; the detailed guidelines are awaited.

Provisions of secondary adjustment

- Secondary adjustment essentially refers to repatriating the excess money available with a foreign group entity (or an AE) to an Indian taxpayer on account of the primary transfer pricing adjustment.
- The primary transfer pricing adjustment occasioning the secondary adjustment can occur under the following scenarios:
  - A TP adjustment made by a taxpayer on its own accord in the tax return (suo moto adjustment)
  - Acceptance of TP adjustment made by tax authorities during audit/scrutiny proceedings or by any appellate

[4] Source: https://pib.gov.in/PressReleasePage.aspx?PRID=2018085 and https://www.taxsutra.com/sites/default/files/sftp/CBDT_APA_Annual_Report__2023_24.pdf https://incometaxindia.gov.in/Lists/Press%20Releases/Attachments/1225/Press-Release-CBDT-Signs-174-Advance-Pricing-Agreements-in-FY-2024-25-dated-01-04-2025.pdf

authority during the appeal process
  - Adjustment made under an APA, a settlement under MAP, or upon application of SHR provisions
- If the excess money available to the AE(s) (i.e., the difference between the arm's length price and the actual value of the transaction) is not repatriated into India within the prescribed timeframe (mentioned below), triggered from the time of acceptance of primary adjustment, the amount of primary adjustment is deemed to be an advance made by the taxpayer to the respective AE(s) and a notional interest on such advance is imputed. The interest is included as part of the total income of the Indian taxpayer and is subject to taxes at applicable rates. However, no secondary adjustment is required if the value of the primary adjustment is lower than INR 10 million or the primary adjustment pertains to years before FY 2015 and FY 2016.

Time limit for cash repatriation

- **Cash repatriation to be within 90 days of the adjustment**
  - For suo-moto (voluntary) adjustment, safe harbour and MAP settlement from the date of filing the tax return
  - For APA conclusions from the date of filing of modified returns
  - For audit or appeal cases from the date of the order of the TPO/appellate authority, accepted by the taxpayer

Applicable interest rate p.a.

- Rupee-denominated transactions - 1 year MCLR of SBI as of 1 April of the relevant previous year and 325 basis points
- Foreign currency-denominated transactions - 6 months LIBOR as of 30 Sept of the relevant previous year and 300 basis points

- The CBDT has brought in certain amendments to the secondary adjustment provisions vide the Finance Bill 2019:
  - **Optional one-time tax (effective 1 September 2019):** Taxpayers are provided an option to pay a one-time additional tax at 18 percent (plus applicable surcharge and cess) on the unrepatriated amount instead of imputing interest on the advance regularly.
  - **Repatriation of cash from any AE:** The taxpayer can repatriate the excess money from any foreign AE(s).
  - **Grandfathering of APAs:** Primary adjustments under APAs signed before 1 April 2017, are excluded from the scope of secondary adjustment provisions. However, no tax refund under the pre-amended section would be allowed.

C.1.3. Employee taxation

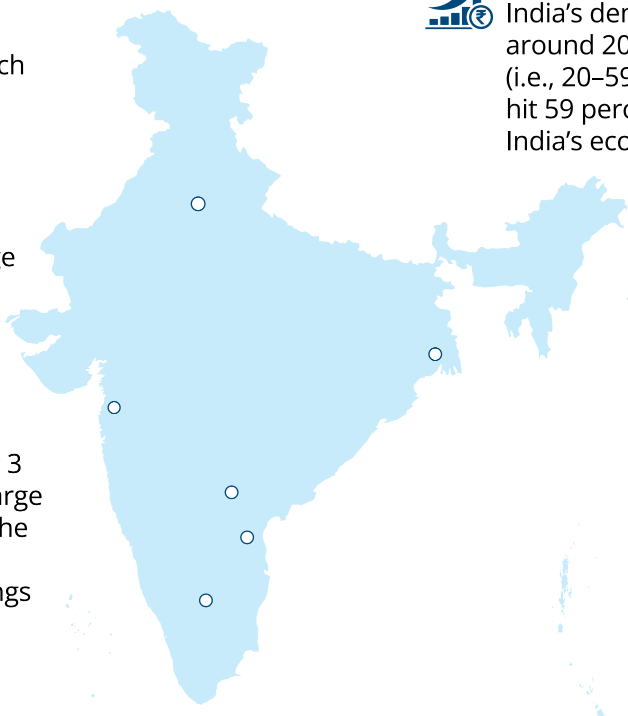
1.3.1. Human Capital

India's rapid growth has made it a prime destination for businesses from across the globe – be it a South Asia/ India-focussed business entity or a large-scale GCC. The Indian talent pool has gained significant recognition due to several factors, including educational qualifications, digital proficiency, hard work and the ability to adapt to new technologies.

Talent pool

India has 7–10 major economic centres, including megacities such as Mumbai and Delhi and large metropolitan regions, such as Bengaluru, Hyderabad, Chennai, Kolkata and Pune, which have a large and skilled talent pool.

Other than major hubs, emerging tier 2 and tier 3 cities in India house a large share (~15 percent) of the Indian tech talent pool and can drive cost savings for India's technology landscape.



According to the Economic Survey 2018–19, India's demographic dividend will peak around 2041, when the share of work age (i.e., 20–59 years) population is expected to hit 59 percent, offering great potential for India's economic growth.

According to the World Population Prospects (WPP), which forms the basis of the UNFPA report released in 2023, the median age of India's population is 28.2 years. This makes India one of the youngest countries among fast-growing economies. For comparison, the median age for China's population is 39 years, North America is 38.4 years and Europe is 42.2 years.

Talent acquisition and retention

India's talent hubs face intense competition for top talent from domestic and international companies. This high demand has led to relatively higher salary growth rates in India. However, on the flip side, this is offset by a large pool of new entrants to the workforce every year, which brings down the overall median remuneration, making it affordable to operate in India.

Secondment arrangements

It is common for MNCs to deploy foreign nationals in India under a secondment arrangement to oversee their Indian operations. The period of their stay in India could vary depending on business needs.
While Indian operations must be aligned with the policies of the global parent and receive guidance from the deputed foreign nationals, the following factors must be duly addressed:

- Nature of role – Stewardship, managerial roles, actual business operations, etc.
- Roles and responsibilities and commercial arrangement among the seconded employee, overseas employer and Indian employer

- Robust tracking mechanism on the number of employees being deputed to India in a fiscal year, duration of stay and the number of visits
- Remuneration of the deputed employees and entity that bears the cost of such employees

In the absence of guardrails, manifold implications typically arise due to deputations that are not supported by robust secondment arrangements. Some key implications are mentioned below:

TP

In a scenario where there is no cross-charge of salary cost:

- It may result in lower revenue and taxes as most Indian entities operate under a cost-plus model.
- The revenue authorities may impute an arm's length compensation in the hands of the foreign entity.

Indirect tax

The salary cost of seconded employees by the Indian company may be treated as fees for workforce services. Accordingly, Indian companies, being recipients (importers) of services, may become liable to discharge GST.

PE exposure

Overseas entities could be exposed to creating tax presence in India due to business carried out by their employees in India.

Taxability/ withholding tax obligation

Characterisation of salary reimbursement by an Indian company – whether as a pure reimbursement or "fees for technical services" – and its taxability in the hands of a foreign entity/withholding obligation in the hands of an Indian entity.

Secondment agreements should appropriately reflect relationship, roles and responsibilities, and the commercial arrangement among the seconded employee, overseas employer and Indian employer.

1.3.2. Employee tax and regulatory considerations

In India, employment income earned for services rendered within the country is subject to taxation, irrespective of the residential status, the location of entering the employment contract, or the place where the income is paid. According to Budget 2025, the tax burden on individuals has been reduced to encourage consumption.

However, for an individual who is not an Indian citizen but is present in India only for a short duration of time, employment income can be claimed exempt from income tax subject to fulfilment of short stay conditions (as provided in the Act or DTAA, whichever is more beneficial). To claim benefits per the DTAA, a TRC would be required.

Employers would be liable to withhold tax on salaries earned by the employee in India and furnish a tax withholding certificate to the employee. The employer would be required to obtain tax registrations in India and file withholding tax returns. The employee is required to file an annual income tax return in respect of income earned exceeding a de-minimis threshold.

A foreign or resident Indian citizen employed with a foreign company and on deputation to an Indian group company, can maintain a bank account in foreign currency outside India to receive salary (net of mandatory deductions) for services rendered in India.

Services by an employee to the employer are treated neither as a supply of goods nor services. Hence, these services are not subject to GST.

Social security

Social security/ retiral – End service benefits

Provident Fund (PF)

International Workers (IWs)

- All foreign citizens (including OCI card holders) working for an establishment to which the EPF Act applies would be regarded as IWs.
- Employer and employee need to mandatorily contribute 12 percent of pay (as defined) without wage ceiling.

Social Security Agreement (SSA)

- SSA is an agreement between two countries that provides for the protection of the interests of cross-border workers and primarily avoids "double coverage"
- Currently, India has 20 SSA effective with 19 countries and 1 region, including Germany, Netherlands, Australia, Japan, Canada, Switzerland, Luxembourg, France, Sweden, Finland and Norway. Also, India is in negotiations with certain other countries, including the US and UK.
- Foreign nationals from SSA countries and having a Certificate of Coverage (COC)/ detachment certificate can be excluded from the applicability of IW provisions and hence, need not contribute towards PF in India.
- IWs are eligible to withdraw PF accumulations (contributions + interest) on leaving the services of an Indian company, except for those coming from a non-SSA country who in addition should have also attained 58 years of age.

Gratuity: End of service payment

- Every establishment with 10 or more employees is required to pay gratuity on termination of service.
- An employee must render a minimum of 5 years of continuous service (with certain exceptions) with the employer to become eligible for such benefit.
- Gratuity is payable for every completed year of service on the pay as defined and per the calculation mechanism provided in the POGA (subject to a statutory ceiling of INR 2 million).

Immigration

Other than OCI cardholders, most foreigners need an employment visa to work in India. An employment visa must be applied in the home country and can be extended while in India for a maximum duration of 10 years. Accompanying children and spouses are eligible for dependent visas.

Specifically, investors can use the PRS, subject to the fulfilment of relevant conditions specified in the FDI policy. The key criteria and features of the PRS scheme include the following:

Key criteria and features of the PRS scheme

- Spouses/Dependents of the PRS holder will be allowed to take up employment in the private sector (without meeting the minimum salary criteria prescribed for employment visas) and undertake studies in India.
- The foreign investor will have to invest in India a minimum of INR 100 million within 18 months, or a minimum of INR 250 million within 36 months.
- PRS holders will be allowed to purchase one residential property for dwelling purpose.
- Foreign investment should generate employment for at least 20 resident Indians in each financial year.
- PRS will serve as a multiple entry visa without any stipulation.
- Such an investor will be granted a B-4 Visa (investor visa) initially. There will be no requirement to register with the FRRO/FRO concerned and post fulfillment of eligibility conditions application for PRS status can be made online to the FRRO/FRO concerned.
- PRS will be granted to foreign investors for 10 years and can be further renewed for 10 years.

1.3.3. Recent trends and emerging updates

(A) Labour code

As part of the "ease of doing business in India," the government undertook a major reform by introducing four new "labour codes" subsuming 29 existing central labour laws. While the labour codes have been enacted, the effective date is yet to be notified. This is a significant development for the Indian labour market and businesses.

Key features of labour codes are as follows :

- Bring uniformity in definitions that results in less ambiguity.
- Expand social security coverage that encompasses organised and unorganised sectors besides gig and platform workers.
- Provide benefits and entitlement for fixed-term employment and bring them at par with regular employment.
- Payment of timely wages, minimum wages, annual leave encashments, overtime, etc., are made more universal.
- Women employees can opt to work in night shifts.
- Provide an increased notice period for trade unions who intend to go on strike.
- Emphasise on use of technology, ease of doing business, and transparency.
- Extend more flexibility on daily working hours and the maximum overtime hours increased from 50 hours to 125 hours per quarter.

A foreign company investing in India should:

- understand the financial impact on account of a change in the definition of wages;
- align compensation structure, HR policies and underlying technology and processes; and
- ensure appropriate workforce categorisation.

(B) Global work-from-anywhere policies

The pandemic tested the flexibility and responsiveness of work and culture across the globe. Hybrid and remote-working models have now become the norm.

However, understanding the immigration and tax implication is critical for the foreign employer and its employees working from India.

Immigration

Unlike other countries, which have introduced a specific visa to facilitate remote working, India has yet to develop a specific visa. Thus, foreign nationals other than those holding an OCI card cannot work remotely from India.

Tax and other implications

Remote working by overseas employees from India has started the debate on the creation of taxable presence, i.e., PE exposure for the overseas employer in India, which inter-alia depends on the following factors:

- Number of employees travelling to India
- Threshold on the number of days of stay in India
- Role/work profile of employees
- Rights of employees to negotiate, sign, execute or conclude contracts
- Interaction with customers/vendors located in India
- Place of work of employees - home Indian group company’s office, etc.

Tax treaties provide some relief by excluding preparatory/auxiliary activities from the definition of PE. However, the extent of services must be tested in relation to the employer's overall activity/business.

With a growing trend of globally mobile employees, understanding the PE exposure arising out of work-from-anywhere policies is crucial.

If it is concluded that a foreign entity has a PE in India, an arm’s length profit will have to be attributed to the Indian PE. Accordingly, the Indian PE of the foreign company will have to obtain tax registrations in India, file an annual income tax return and tax audit report (subject to threshold limits), maintain books of accounts and audited financial statements, and comply with TP regulations.

When employees of foreign companies work in India and are not eligible to claim any short-stay exemption either under the Act or DTAA, several such foreign employers would need to comply with withholding tax and other related compliance on their remuneration. Further, such foreign employees would be required to file a tax return in India. The employee is required to obtain a TRC where a short-stay exemption is claimed under the DTAA.

In addition, foreign employers need to examine the applicability of labour laws in India due to their employees working from India.

Implications under the GST laws would also need to be examined to check the requirement of foreign entities to take GST registration in India.

(C) Gig economy in India

The gig economy describes the growing trend of people working independently, often on a short-term, for multiple clients. In India, this sector has been growing rapidly. According to India’s Booming Gig and Platform Economy paper by Niti Aayog, in 2021, there were 7.7 million gig workers in India; the number is expected to increase to about 23 million by 2029–30.

Key factors contributing to the gig economy in India include the following:

- Availability of a large workforce across the unskilled, medium-skilled and highly skilled categories
- Change in the outlook of businesses to use more gig workers to control costs and provide business flexibility during rapid growth
- The high rate of digital adoption, even in smaller towns, has made gig workers accessible to more companies
- An increased focus on diversity and inclusion among Indian corporates is leading to more efforts to engage in non-traditional workforce models

In the Budget 2025 speech, the finance minister acknowledged the vital role of gig workers in the new-age services economy. To support nearly 10 million gig workers, the government plans to introduce welfare measures, including identity cards, e-Shram portal registration and healthcare under PM Jan Arogya Yojana.

C.1.4. Business restructuring

Business restructuring involves navigating key considerations, such as deal taxation, associated tax implications and diligence challenges. For investors and businesses entering India, understanding these aspects is crucial to structuring transactions efficiently and mitigating potential risks. With India's evolving tax landscape and regulatory reforms, strategic planning around restructuring can unlock significant value. This section offers guidance to help stakeholders make informed decisions and capitalise on opportunities.

Deal taxation

Every deal involves various tax implications that need to be highlighted. Some of these key implications include the following:

1 Business consolidation

Business consolidation involves the merger of two or more entities by pooling their assets and liabilities, including tax attributes. This mode is often favoured in group consolidation as it typically does not require monetary considerations and can be structured as tax-neutral, provided certain conditions are met. However, securing the regulatory authority’s approval is crucial, and stamp duty implications may apply.

2 Carve out

Carve-out options involve transferring a business undertaking, including tax attributes, to another entity through various means. Demerger is a tax-neutral choice but can be time-consuming due to the requirement of regulatory approvals. Slump and asset sales are more common options, usually executed through mutual agreements. These options may save time but may entail tax costs.

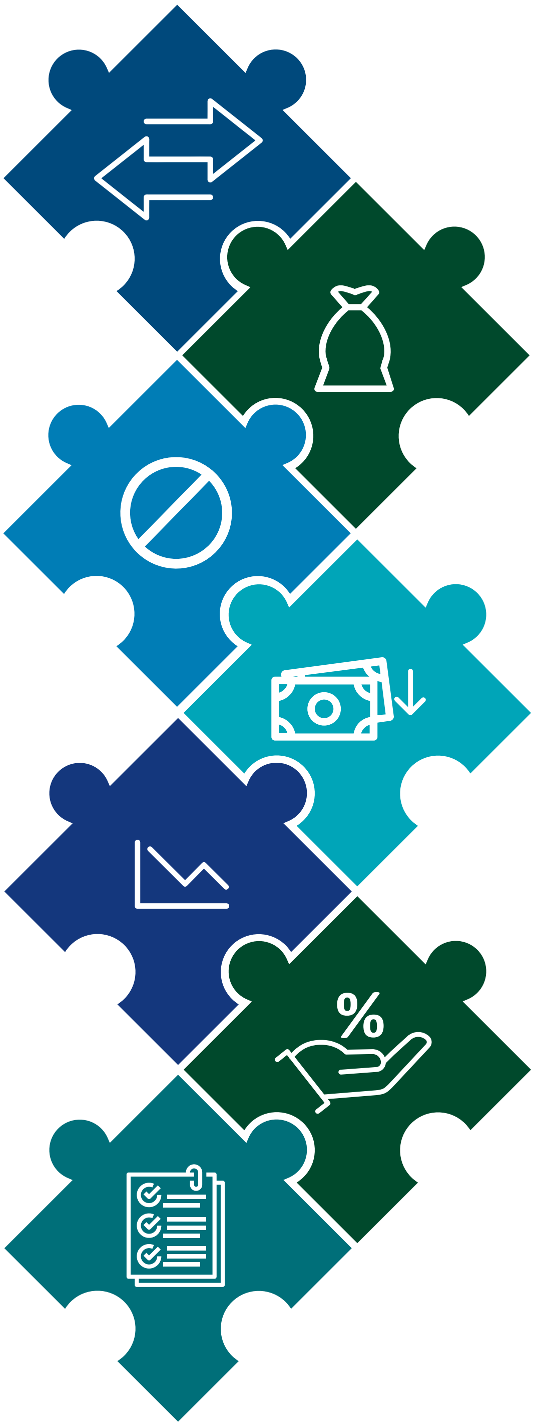
3 Capital structuring

Capital structuring methods encompass realigning a company's share capital structure through buy-backs, capital reduction, bonus issues and rights issues. These methods are employed to simplify the cap-table, optimise the balance sheet and facilitate the repatriation of excess cash or raise capital for expansion.

4 Share transfer

Expanding business or investment in India can often be achieved through share acquisitions. This approach provides direct control aligned with group interests. Typically, it is a quicker process and may entail a tax leakage.

Buy-side



Transferability of tax losses and UAD
(Conditions to be satisfied for transfer of losses in case of merger/ demerger).

Transferability of tax balances
(Possibility of transferring GST credit, MAT credit, advance tax and TDS balances in case of merger/ demerger)

Anti-abuse provisions
(Taxability due to receipt of property for inadequate consideration)

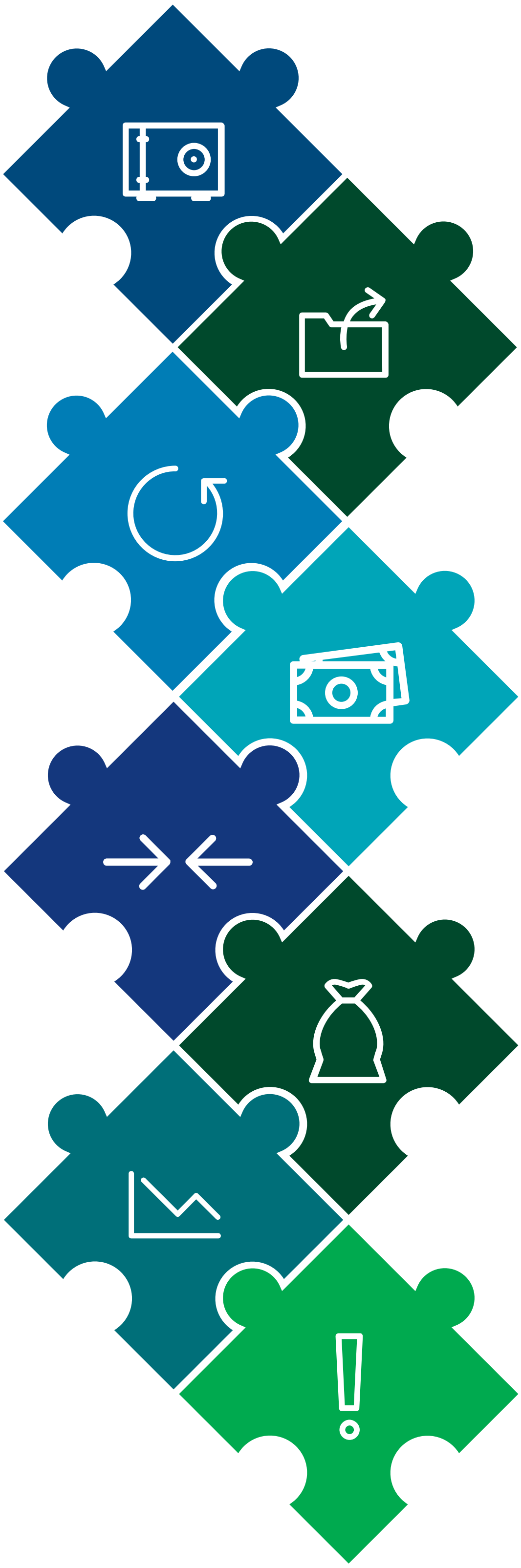
Deductibility of expenses
Tax deductibility of expenses incurred in undertaking the transaction

Depreciation
(Depreciation to be available basis the WDV of the assets)

Withholding of tax
(Tax withheld on considerations subject to ITA/DTAA provisions and residency of seller)

General Anti Avoidance Rules
(Transactions to be justified through reasonable commercial rationale)

Sell-side



Capital gains tax
Gains arising on transfer is taxable per the provision of ITA.

Transferability of ongoing litigations/demands/ assessments
To be analysed on a case-to-case basis as per the relevant provisions

Buy-back tax
Effective 1 October 2024, entire buy-back proceeds from domestic companies to be taxed in the hands of shareholders as dividend and capital loss to be allowed to the extent of cost of acquisition. Simultaneously, buy-back tax will be abolished.

Valuation requirements
Capital assets to be transferred at fair market value per the valuation rules prescribed by the ITA.

Tax neutrality
Certain transactions such as merger and demerger can be tax-neutral subject to fulfilment of certain conditions.

Indirect tax Implications
GST implications to be evaluated depending on the nature of transaction.

Lapse of tax losses on substantial acquisition
On change in shareholding >49 percent of a closely held company.

General Anti Avoidance Rules
Transactions to be justified through reasonable commercial rationale.

Other relevant issues

Deal issues

SEBI implications	If any of the parties to a proposed deal is a listed company, applicable SEBI regulations, such as the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011 (the Takeover Regulations), the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 must be complied with.
Indirect transfer	Per the provisions of the Income-tax Act, 1961, indirect transfer provisions trigger when shares of an overseas company are transferred and the value of such shares is derived substantially from the assets situated in India.
Stamp duty implication	While undertaking a transaction, such as transfer of shares, merger, demerger and acquisition, stamp duty implications need to be taken into consideration that vary from state to state.
Timelines	• Approximate time to undertake slump sale shall be 2-3 months. • Further, approximate time to undertake a merger/ demerger via different routes are as follows: – NCLT Route- 10-12 Months – Fast Track Route- 6-7 Months Further, for other modes like share acquisition, etc. takes approx. 1 Month.
CCI approval	CCI is the statutory authority responsible to review combinations and assess whether they cause or are expected to cause an appreciable adverse effect on competition within the relevant market(s) in India. M&As that meet the asset and turnover prescribed are required to notify and take approval of the CCI before their consummation.
Limiting the benefit of carry forward of tax losses in case of mergers	Currently, the amalgamating company's accumulated losses could be carried forward for eight years by the amalgamated company. In case of amalgamation or business re-organisations effected on or after 1 April 2025, accumulated loss of predecessor entity will be deemed to be the loss of the successor entity and carried forward for not more than eight assessment years from the year it was originally computed for the predecessor entity.

Diligence issues

1. Non-compliance with withholding tax obligations by the target as mandated under the law
2. Timely income tax compliances- filing of returns and depositing taxes
3. Impact of any prior change in shareholding on the eligibility of carrying forward tax losses
4. Capitalisation of expenses for tax purposes and claiming depreciation thereon
5. Risk of disallowance of marketing and promotional expenditure considered revenue
6. Disallowance of amalgamation expenses under Section 35DD
7. Positions adopted by target entity for any ongoing tax litigation/audit, which is less favourable
8. Potential disallowance of expenses due to non-availability of “No PE” certificates
9. Tax treatment of preliminary expenses incurred in case of a newly set-up entity
10. Disallowance of interest payable on external commercial borrowings

C.1.5. Income tax compliances and dispute resolution

1.5.1. Income tax compliances

The Indian tax authorities have established various income tax compliance requirements under the income tax regulations. These primarily comprise the following:

Obtaining PAN in India

PAN is a unique identification number in India allotted by the income tax authorities. Typically, any person earning taxable income per income tax regulations is mandated to obtain a PAN in India.

Filing annual tax return

Every person earning taxable income, according to India's income tax regulations, is required to file an annual income tax return within the timeline provided by income tax authorities.

The authorities have provided various forms and timelines for different categories of persons.

Withholding tax compliances

Every person responsible to make any payment to any person chargeable to tax in India would be required to deduct the withholding taxes in India in line with the income tax regulations.

Such person would also be required to file statement of taxes withheld as mentioned above and issue withholding tax certificates.

Tax collected at source

TCS is a mechanism, wherein tax is collected by seller while selling specific goods or services to the buyer. The objective of TCS is to ensure that the government collect taxes at the earliest point of time and track transactions of high value. The seller who collects the tax has to file quarterly returns. The buyer who pays the tax can claim credit for it while filing his return of income.

Payment of advance taxes

Every person who is liable to pay income tax in India is required to deposit quarterly advance taxes to the credit of the Government of India. Such taxes are offset against the final tax liability determined at the time of filing the return of income for a fiscal year.

1.5.2. Maintenance of books, audits and dispute resolution

Requirement for maintenance of books

- Every person with turnover or income more than the threshold limit specified in the Indian income tax regulations would be required to maintain the books of accounts along with the supporting documents.
- Books of accounts and related documents must be preserved for a specific period as defined in the Indian income tax regulations. The above records may be maintained in manual or electronic form.

Requirement for tax audit

- The books of accounts maintained by any person would need to be audited by an Indian chartered accountant under the Indian income tax regulations, where the income earned is more than the specified threshold limits.
- The tax audit is required to ensure the correctness of books of accounts, reporting prescribed information as may be required by the Indian tax authorities.

Forums for resolution of tax dispute

- The Indian Income tax authorities have provided various platforms to address various tax disputes between the taxpayer and tax authorities.
- The platforms are listed as below (the hierachy is top to bottom)
  - Dispute Resolution Panel/ Commissioner of Income Tax (Appeals)
  - Income Tax Appellate Tribunal
  - High Court of India
  - Supreme Court of India
- Other alternative dispute resolution forums include the Board for Advance Rulings (BFAR) and Mutual Agreement Procedure.

C.1.6. Indirect taxes

1.6.1. Indirect taxes in India

Although **GST** has subsumed many indirect taxes in India, some still remain in effect. **Customs duty** continues to apply to global trade. **Central excise duty** remains on specific petroleum products (such as petrol and diesel) and specific tobacco products outside the ambit of GST. **State excise duty** applies to alcoholic beverages and other goods, such as narcotics. States impose VAT on the sale of alcohol.

The central and state governments occasionally roll out various policies/schemes providing tax benefits or incentives to enable imports and promote domestic manufacturing, exports, industrial development, employment, growth, etc. The foreign trade policy, PLI schemes, state government incentives, etc., provide such benefits.

The GST story

Introduction

The GST was implemented on 1 July 2017 by the central and state governments. It has combined several complex central and state legislations, such as service tax, central excise duty, VAT and central sales tax. However, there are exceptions when it comes to liquor and petroleum products as they are still taxable under excise duties and VAT.

Major reforms are an ongoing process and cannot be expected to work seamlessly from inception. The GST is a continuing reform in India. Ongoing improvements are being made to compliance and tax processes based on stakeholder consultations.

The introduction of GST is a move towards achieving efficiency in tax administration.

Structure

GST has a dual structure regime as the centre, states/ Union Territories (UTs) can simultaneously levy it on the supplies of goods and services. Components of GST include the following:

- CGST (levied by the central government) – Applicable on intra-state supply (i.e., within the state/UT) and represents half of the total applicable tax.
- SGST/UTGST (levied by the state/UT government) – Applicable on intra-state supply and represents the other half of the total applicable tax.
- IGST (levied by the central government) – Applicable on inter-state supply (i.e., between two states/ UT[s]) and import of goods and services.
- Compensation cess – Applicable only on demerit goods and luxury goods, such as motor vehicles, aircraft, coal and tobacco.
- Under GST, goods and services are categorised into different tax slabs, including 5 percent, 12 percent, 18 percent and 28 percent. Some essential commodities are exempted from GST.
- Input tax credit is eligible in respect of GST paid on inward supplies of goods/services as prescribed.

1.6.2. Customs duties

Customs duties apply to goods imported into or exported from India. The items and the rates of duties are specified in two Schedules to the Customs Tariff Act, 1975. The First Schedule lists various import items under the systematic and well-considered categories based on the “International Harmonised System of Commodity Classification.” It specifies the prescribed rates of import duties. Duties on imported items are usually levied on either a specific or ad-valorem basis. However, in a few cases, specific cum-ad-valorem duties are also imposed. The Second Schedule has items subject to export duties and rates. The predominant mode of levy of duties is on an ad-valorem basis, i.e., concerning value. The valuation provisions adopt a GATT-based valuation system (now termed the WTO

Valuation Agreement), followed globally. The CBIC has taken numerous measures to enable the Customs clearance process and reduce transaction costs to ensure the ease of doing business. Based on the WCO SAFE Framework of Standards, AEO has been developed to enable businesses involved in international trade to reap various benefits.

Various schemes, such as bonded manufacturing facilities, duty drawback schemes, export promotion schemes, special economic zones and EOU schemes, are prevalent in India. These schemes promote exports.

1.6.3. Foreign Trade Policy (FTP)

FTP is a set of guidelines and instructions established by the Directorate General of Foreign Trade (DGFT) in matters related to imports and exports and notified by the central government. India's journey towards becoming a global economic powerhouse took a significant leap with the announcement of the FTP 2023, as on 31 March 2023. The idea was to keep it dynamic and open-ended to accommodate the emerging needs of time. FTP 2023 represents an initiative-taking and forward-looking approach to foreign trade by embracing technological advancements, fostering collaboration and identifying emerging areas of export potential. The policy aims to position India as a competitive player in the global trade arena.

The policy is built on the principles of trust and partnership with exporters and the following four pillars:

Incentive to remission

Shift from **incentives to remission** by way of reduction of duties and taxes on global trade transactions (exports).

Export promotion through collaboration

- **Import duty exemptions/concession –** Historic export promotion schemes, such as **Advance Authorisation and Export Promotion Capital Goods Scheme,** which allowed duty-free import of raw materials and capital goods to continue along with substantial process re-engineering and technology enablement for facilitating the exporters.
- Rationalise the export performance thresholds for recognition of exporters as **status holders,** to enable more exporters to achieve higher status and reduce transaction costs.
- Boost **merchanting activities** from India.
- **Internationalise the Indian rupee** by accepting rupee payments under the FTP schemes.
- Introduce four new towns as **Towns of Export Excellence (TEE)** in addition to the existing 39 towns of export excellence.
- **States and districts as partners in export promotion** aim to decentralise export promotion in India. One of the crucial aspects of the FTP 2023 is the promotion of exports from the district level and accelerating the development of the grassroots trade ecosystem.
- Introduce a **Special One-time Amnesty Scheme** for default in export obligations aimed at reducing litigation and fostering trust-based relationships to help alleviate the issues faced by exporters.

Ease of doing business

- Greater faith is reposed on exporters through automated IT systems with risk management systems for various approvals in the FTP. The policy codifies implementation mechanisms in a paperless, online environment, building on earlier "ease of doing business" initiatives.

Emerging areas – E-commerce developing districts as export hubs and streamlining SCOMET policy

- Significant measures were introduced to promote and support **e-commerce exports** by extending FTP benefits to this sector. In a significant move to boost e-commerce exports, the value limit for exports through couriers has been raised to INR 10,00,000 per consignment. Development of infrastructure for e-commerce export hubs.
- India is focusing on the "export control" regime as its integration with export control regime countries strengthens. The policy introduces measures for streamlining the **SCOMET** policy and other relevant regulations.

1.6.4. Free Trade Agreements

FTAs are arrangements between two or more countries or trading blocs that primarily agree to reduce or eliminate Customs tariffs and non-tariff barriers on substantial trade. FTAs, usually cover trade in goods (such as agricultural or industrial products) or trade in services (such as banking, construction, and trading). FTAs can also cover other areas, such as IPRs, investments, government procurement and competition policy.

India has preferential access, economic cooperation, and FTAs with about 54 countries. It has signed bilateral trade deals, such as CEPA/CECA/FTA/PTAs, with 18 groups/countries.

ROO are the criteria needed to determine the country of origin of a product for the purpose of international trade. ROO's importance is derived from the fact that duties and restrictions depend on the source of imports. The criteria are used for the following:

- To implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures
- To determine whether imported products shall receive Most Favoured Nation (MFN) treatment or preferential treatment
- For the purpose of trade statistics
- For the application of labelling and marking requirements
- For government procurement

The ROO helps assess the application of preferential tariffs under an FTA. Moreover, non-members of the FTA do not benefit from preferential tariffs agreed between two FTA partners.

To prove the origin of goods for availing the preferential rate of duty under FTA, a "proof of origin" is required. FTAs have different requirements regarding the proof of origin. Under some FTAs, proof of origin is to be obtained in the form of a certificate from the designated authority. However, in some, it can be in the form of a self-declaration.

1.6.5. Indirect tax compliances

Typical compliance obligations under key indirect tax laws in India are as follows :

GST

- **Electronic invoice and waybill compliance.**
- **Monthly/quarterly GST returns:** Normal registered businesses must file two monthly returns for reporting outward supplies (transaction level revenue details) and summary returns respectively. In addition, a specific category of GST-registered businesses, such as e-commerce operators, small taxpayers, casual taxable persons, non-residents and taxpayers have separate reporting obligations.
- **Annual compliances:** Filing annual returns and self-certified statements for businesses with a certain turnover threshold.

Customs declarations

- Importers and exporters must file customs declarations, including bills of entry (for imports) and shipping bills (for exports), providing details of the goods, their value, origin, and other relevant information.
- Specific declarations are to be filed in case of imports from related parties.
- Compliance with specific conditions and procedures may be required to import any restricted goods or to avail the benefit of any exemption or duty concession.

Maintenance of books, audits and dispute resolution

Record-keeping requirements

Registered businesses are required to maintain various records and documents, including invoices, waybills and all books of accounts. Books should accurately reflect financial transactions, ITC details and tax liabilities.

Records should be maintained for the prescribed number of years from the end of respective FY.

Factors motivating decision makers to shift to renewable sources of energy from IPPs include the following:

Dispute resolution
Typically, the law provides several avenues for dispute resolution along with time limits for various stages of dispute resolution to ensure timely resolution of disputes. Here are the key components of dispute resolution under indirect tax laws:

Adjudication
Power is vested in the authority to undertake the determination of tax liability through adjudication.

Appeals
Taxpayers have the right to appeal the decision of the adjudicating authority if they are dissatisfied with the outcome.

Petitions and appeals to higher courts
If a taxpayer is not satisfied with the decisions of the lower appellate authorities (Tribunal), they can appeal to higher judicial forums, such as the High Court and the Supreme Court.

Settlement commission/interim board for settlement
This is an alternative dispute resolution mechanism under customs and central excise for taxpayers who wish to resolve tax disputes in a spirit of conciliation rather than litigation. At present, there is no provision for settlement of cases pertaining to GST matters.

Advance ruling
Provides taxpayers with the opportunity to have certainty, seek clarity on GST implications, well in advance. The ruling given by the Authority for Advance Ruling is binding on the applicant and government authorities. This mechanism serves as a proactive measure to reduce uncertainties and potential disputes in GST-related matters.

Audits
The respective laws provide for various types of audits, including regular audits, special audits, and annual audits. Audits are conducted by either the taxpayer's own chartered accountant or by the tax officers.

1.6.6. Production-linked incentive schemes

The government of India introduced the PLI scheme in March 2020 to promote domestic manufacturing under the Atmanirbhar Bharat initiative. It is a conventional and popular strategy to boost domestic production, encourage job creation, promote social welfare and increase tax revenue. PLI may be in the form of tax rebates, lowered import and export duties, or easier land acquisition norms.

The purpose of the PLI schemes is to attract investments in key sectors and cutting-edge technology; ensure efficiency and bring economies of size and scale in the manufacturing sector; and make Indian companies and manufacturers globally competitive.

Salient features of the PLI scheme

Objective

Improve domestic manufacturing footprint (incentives outlay of over US$26 billion)

WTO compliant

Compatible with the WTO as the quantum of support is not linked to the export

Flexibility

No restriction on availing benefits under other schemes/state policies

Incentives

A cash subsidy over a specified period, such as 5–6 years

Activity profile

Both domestic and exports sales eligible for incentives

Timelines

About 3-6 months for application post notification

Eligibility criteria

1. Companies/JV registered in India.
2. Meet specified new/incremental investment/turnover threshold.
3. Meet additional production capacity.
4. Additional employment generation.
5. Zonal classification of the location where investment planned.

Sector and product coverage

The PLI scheme covers 16 key sectors and products that are mentioned in the table below.

1. Mobile manufacturing and specified electronic components
2. Critical key starting materials/ drug intermediaries and active pharmaceutical ingredients
3. Manufacturing of medical devices
4. Advanced chemistry cell battery
5. Electronic/technology products
6. Automobiles and auto components
7. Pharmaceutical drugs
8. Telecom and networking products
9. Textile products
10. Food processing
11. Solar Photovoltaic modules
12. White goods
13. Specialty steel
14. Drones and drone components
15. Toys[5]
16. Leather and footwear[6]

[5,6] Pending Union Cabinet approval.

C.2. Regulatory landscape

The regulatory landscape in India plays a critical role in guiding foreign investments, offering a structured framework for external commercial borrowings and foreign direct investments. This section provides an overview of the key regulations, compliance requirements and opportunities that shape investment in India, helping investors navigate India's dynamic economic environment effectively.

Overview of foreign investment

Foreign Direct investment Schedule 1

- Automatic vs. approval route
- Unlisted Indian company
- Less than 10 percent of the post issue paid up equity capital of a listed Indian company
- Sectoral conditions
- Valuation norms
- Compliances, such as EMF/SMF
- Applicability of the FOCC compliances
- Valuation and filings for transfer between R and FOCC
- Once an FDI always an FDI

Foreign Direct investment Schedule 2

- More than 10 percent of the post issue paid up equity capital of a listed Indian company
- Sectoral conditions. Valuation and compliances
- FPI investment in non equity instruments – Schedule 1 of debt instrument regulation

Foreign Venture Capital Investment

- Debt and non debt instruments
- Specific sectors
  - Biotechnology
  - Nanotechnology
  - Seed R&D
  - Dairy industry
  - Poultry industry
  - Production of biofuels
  - Hotel cum convention sectors
  - Infrastructure
- Valuation and compliances

Economic commercial borrowing

What is ECB?

- Commercial loans
- Raised by eligible borrowers
- From non-residents entities
- For permitted end use prescribed by the RBI
- Should conform to parameters directed by the RBI

Benefits

- Bring foreign funds into India
- Greater exposure to worldwide entities
- Does not dilute equity shareholding
- Rate of interest may be lesser if raised from foreign entities
- Funds are available with the company for a minimum period
- Cost of funds may be lower than that of domestic funds

Procedure for raising ECB

Automatic route

- Allowed to raise ECB up to US$750 million
- Approach AD Category I Bank with a proposal in Form ECB

Approval route

- Borrowers may approach the RBI with an application in the prescribed format in Form ECB
- The RBI shall grant approval based on overall guidelines, macroeconomic situation and merits of the proposal

C.3. Returns on investment/repatriation of funds

Understanding ROI and fund repatriation from India is crucial for investors as it affects overall profitability and compliance. The following table offers a concise view of key concepts, tax implications, and other key considerations, aiding in informed decision-making.

Particulars	Dividend	Buy-back	Capital reduction	Royalty payment/fees for Technical Services (FTS)/ management fee	Distributions by an Indian Limited Liability Partnership (LLP) to its foreign partner/(s)	Branch office in India
Concept	Appropriation of profits to the shareholders	The company buys back its shares from the existing shareholders.	Cancellation of capital against consideration or accumulated losses	The royalty payment is made for the use of any licence/right by Indian entities under foreign collaboration agreements, while FTS and management fees are paid with respect to a management service agreement.	LLP can be set-up in India with a non-resident partner. There can be repatriation in the form of distribution of profits, remuneration, interest, etc.	A branch office is a mere extension of a foreign company in India and is treated as a foreign company for taxation purposes.
Tax implications in the hands of Indian company/ LLP/branch office	Required to withhold tax @20 percent, subject to tax treaty benefits, if any Not a tax-deductible expenditure for the Indian company	Buy-back tax is abolished. Required to withhold tax @20 percent, subject to tax treaty benefits, if any, on the entire amount of buy-back consideration treated as dividend.	Required to withhold tax @20 percent, subject to tax treaty benefits, if any on the amount treated as a dividend Required to withhold tax at applicable rates based on the period of holding, subject to tax treaty benefits, if any, on the amount treated as capital gains	Required to withhold tax@20 percent, subject to tax treaty benefits, if any. These are tax-deductible expenses	Tax @30 percent** on the profits of the LLP. LLP is required to withhold tax @10 percent on payment of salary, remuneration, bonus, commission and interest to a partner of the firm.	Once the foreign company has been taxed on the profits attributable to the Indian branch, no additional tax is levied on the Indian branch

Particulars	Dividend	Buy-back	Capital reduction	Royalty payment/fees for Technical Services (FTS)/ management fee	Distributions by an Indian Limited Liability Partnership (LLP) to its foreign partner/(s)	Branch office in India
Tax implications in the hands of foreign parent	Taxed in India @ 20 percent, (subject to tax treaty benefits, if any)	Entire consideration on buy-back of shares is taxable as deemed dividend in the hands of shareholders and capital loss is allowed to the extent of cost of acquisition of shares by deeming the consideration to be nil, subject to tax treaty benefits, if any.	It may be treated as a deemed dividend to the extent of accumulated profits; amount in excess of the accumulated profits may be taxed as capital gains; taxability as dividend/ capital gains subject to tax treaty benefits, if any.	Taxed in India typically @20 percent, (subject to tax treaty benefits, if any). Lower rates may apply in certain cases on fulfilling specified conditions.	Share of profit received exempt in the hands of partners on the distribution of profits, while interest/bonus/ remuneration chargeable to tax at rates depending on the legal status of the foreign partner	Income earned by the foreign parent attributable to the branch office taxed @35 percent. No tax implication on repatriation of profits to the foreign parent, after the levy of tax in India as mentioned above.
FEMA implications	Permitted without any specific approval subject to documentation	Needs to comply with the FDI policy in terms of valuation and filings	Needs to comply with FDI policy in terms of valuation and filings	Royalty is permitted without any specific approval subject to documentation FTS - Subject to specific limits from an Indian exchange control perspective	Permitted without any specific approval subject to documentation	Permitted under the automatic route for undertaking a specified set of activities

Particulars	Dividend	Buy-back	Capital reduction	Royalty payment/fees for Technical Services (FTS)/ management fee	Distributions by an Indian Limited Liability Partnership (LLP) to its foreign partner/(s)	Branch office in India
Companies Act 2013	A company can declare dividends from current or past profits, subject to rules under the Companies Act /rules and shareholder approval; no material exchange control-related restrictions. The dividend has to be distributed to shareholders within 30 days of declaration	The board can authorise buy-back up to 10 percent; while for buy-back up to 25 percent of the paid-up share capital and free reserves, or 25 percent of the number of equity shares (whichever is lower), a special resolution is required to be passed in a general meeting; additional restrictions for post-buy-back debt-equity ratio. CCPS can also be bought back by the company subject to the terms of the issue	Conditions and procedures for capital reduction, including statutory auditor certificate, shareholder approvals and NCLT involvement The same may take 8–10 months	Board approval is needed for related party transactions; shareholder approval if the threshold is exceeded, pricing at arm's length	Amongst partners of LLP, at least two individuals should be Designated Partners (DP) and at least one of them should be a “resident” in India. Where all partners are body corporates, at least two individuals who are “nominees” of such body corporates act as DP	Certain documents are to be submitted to the Registrar of Companies for its set-up (one-time and annual compliances)

(D) Industry overview

D.1. Financial services

India's financial services sector is a cornerstone of its growing economy. With rapid digital transformation, expanding customer bases and regulatory reforms, this sector offers significant opportunities for growth and innovation. Understanding the dynamics of these industries is crucial for investors and businesses looking to tap into India's robust financial ecosystem. Let's look at the main segments of the FS industry – banking, investment and asset management, and insurance.

D.1.1. Main segments of the FS industry

1.1.1 Banking

01. The key regulations governing the Indian banking industry

- The Banking Regulation Act, 1949
- The Reserve Bank of India Act, 1934
- The Companies Act, 2013

02. Subject to adherence to stringent guidelines shared by the Reserve Bank of India (RBI) for the licencing of new banks, investment in banks is permitted as follows:

Automatic route
Investments up to 49 percent of the total equity in private banks is permitted.

Government approval
Up to 74 percent of additional investment is permitted. However, this is subject to at least 26 percent of the paid-up capital held by residents at any given point of time, except in case of a wholly-owned subsidiary of a foreign bank.

03. Recent key government initiatives taken to promote the banking industry include the following:
   - Constitution of a national financial information registry
   - Streamlining the KYC process using a "risk-based" strategy rather than a "one-size fits all" approach

04. The time limit for foreign banks looking to set up an investment division in an offshore banking unit in IFSC-GIFT City[7] has been extended until 31 March 2030 (as per Union Budget 2025). Under the Finance Act, 2024, the basic corporate tax rate applicable to foreign banks operating in India through branch offices is reduced from 40 percent to 35 percent.

05. Introduction of the Master Directions on classification, valuation and operation of the investment portfolio of commercial banks (Directions), 2023, which have the following objectives and is expected to have a significant impact on the banking sector:
   - Enhance the quality of the bank's financial reporting
   - Improve disclosures of fair value of investments in the HTM category, fair value hierarchy, sales out of HTM, etc.
   - Provide a fillip to the corporate bond market
   - Facilitate the use of derivatives for hedging
   - Strengthen the overall risk management framework of banks.

06. The growth of new technologies and the confluence of multiple trends are influencing how banks operate and serve customer needs. The impact of generative AI, industry convergence, embedded finance, open data, digitisation of money, decarbonisation, digital identity and fraud will expand over time. This, in turn, will pose new tax and regulatory challenges.

[7] Kindly refer IFSC chapter for details

07. TP trends

Prominent TP issues during audits for the banking industry

- Intra-group transactions, such as business support/back-office services by captive banking GCCs/central service providers, HO cost allocations, purchase/sale of guarantee, debt instruments, derivative products, foreign exchange transactions, central treasury and brand royalty
- Field-level authorities resort to profit/revenue splits over traditional profit-based methods for intra-group transactions, such as origination/marketing/referral of banking products/services albeit relief is attained at the appellate level in many cases
- High-value complex banking transactions

Measures for alleviating TP risk/exposure

- Ensure adequate documentation and alternate dispute resolution mechanisms, such as APA/MAP
- Corporate governance for related party transaction under the SEBI LODR/Companies Act

1.1.2. Investment/asset management

01. The Indian capital markets are mature and evolved. They are well regulated by SEBI, the primary governing body and regulator for Indian capital markets. SEBI issues guidelines and policies to ensure appropriate governance, transparency, disclosures, etc., for investment and asset managers, and related intermediaries.

02. The Indian asset management industry is witnessing brisk growth in AUM. This is driven by the financialisation of savings, and the funds directed by retail investors into the capital market rather than traditional saving instruments (such as property and bank deposits). At present, 49 registered mutual funds in India offer different schemes tailored to meet investors' growth, safety and income requirements, with several applications in the pipeline.[8,9,10]

Indian MF/VC/private equity and AIF growth trajectory

The emergence of the VC/private equity industry in India has paved the way for entrepreneurs/family offices to raise capital. Earlier, they primarily depended on private placements, public offerings and financial institutions.

Under the SEBI (AIF Regulations), 2012, the Indian AIF industry has also been active, with funds raised to the tune of US$60.51 billion and investments made of US$57.41 billion) as on December 2024. Moreover, about 23 new AIF applications are in the pipeline, as on 28 February 2025.

As on 31 January 2025, the Indian mutual fund industry has grown from US$0.14 trillion to US$0.77 trillion – more than a five-fold expansion in just 10 years. The AUM to-GDP ratio in India is about 15 percent lower than the global norm of 75–80 percent.

[8] https://www.sebi.gov.in
[9] https://www.ibef.org/economy/investments
[10] https://www.amfiindia.com/indian-mutual

India's PE/VC investment environment is also scaling new heights, with an increase in deal size, deal activity and fundraising. About 1,352 deals were recorded, more than US$56 billion of PE–VC investments in 2024 and 125 mega transactions (rounds of US$100 million or more) were completed in 2024.

03. India's remarkable ascent as a global powerhouse is also bolstered by the invaluable contributions of sovereign wealth funds and pension capital. The government of India's commendable efforts to facilitate seamless access to lucrative opportunities for foreign investors have been a significant catalyst behind the success and growth of the Indian asset management industry.

04. India has introduced a specific regime to encourage offshore fund managers to move their fund management activities to India. This initiative is aimed at promoting the Indian fund management industry by providing a clear set of rules under which offshore fund managers will not constitute a business connection (akin to PE) in India. These conditions are further relaxed to undertake fund management activity in the International Financial Services Centre (IFSC) at GIFT City.[11] This, along with tax and regulatory relaxations/exemptions, has paved the way for an unprecedented growth of investment managers/funds in the IFSC-GIFT City.

05. In Union Budget 2025, the government has extended the tax exemption window for notified SWFs and FPFs to make qualifying infrastructure investments for long-term capital gains and income from such investments to be exempt from tax has been extended from 31 March 2025 to 31 March 2030.

06. India's capital gains tax regime has always been perceived as complex with:

- Multiple tax rates for different types of financial securities
- Differentiated outcomes linked to holding periods for different financial securities (i.e., short term vs. long term)
- Complicated surcharge regime that has become a permanent tax levy
- Different taxing outcomes for different types of investors on investments in the same financial assets (e.g., FPI investors, FDI investors, domestic AIFs, etc.)

However, the capital gains regime has been rationalised and simplified, with only two holding periods of 12 months and 24 months, based on the nature of assets and one uniform rate of 12.5 percent for LTCG and two rates for STCGs of 20 percent (for certain financial assets) or applicable slab rates.

07. The Union Budget 2025 provides certainty whereby securities held by Category I and Category II AIFs shall be classified as capital assets and hence, taxable as capital gains.

08. The government has also introduced a VCC regime to enable the pooling of private equity funds and provide a flexible and efficient mode to finance the leasing of aircraft and ships.

09. GST cost magnifies foreign investment pooled in a domestic AIF set-up, which ultimately weighs on the rate of return from Indian investments. Therefore, a tax parity for foreign investors is a key concern to reduce the cost of investment for foreign investors. GST laws are proposed to be amended to contain a

[11] Kindly refer IFSC chapter for details

deemed value for such guarantees i.e., 1 percent of the guarantee amount (in cases where there is no consideration or the actual consideration is lower than such deemed value derived).

TP trends

Prominent TP issues

- During audits, TP authorities determined cost plus mark-up (as high as cost plus 60 percent or AUM-based revenue splits) based on functional and risk analysis. Cost-base computation has also been under scrutiny during audits
- Considerations/valuation aspects for M&A deals, capital investments/divestments and portfolio debt funding

Measures to alleviate TP risk/exposure

- Ensure a robust TP policy for Indian GCCs of investment funds with detailed functional and economic analysis.
- Follow the APA/MAP route to attain tax certainty and mitigate TP risk/exposure.

1.1.3. Insurance

01. The Indian insurance sector stands out as a prominent future industry witnessing remarkable growth. This upward trajectory can be primarily attributed to the increasing disposable income and a heightened level of awareness among consumers. India is the world's 10th-largest[12] market and the second-largest[13] among emerging markets for insurance services.

02. The IRDAI is the regulatory authority supervising the Indian insurance industry and operates under the IRDA Act and the Insurance Act, 1938. IRDAI has issued various rules/regulations to regulate insurance companies and intermediaries.

03. At present, there are 26 life insurance companies, 34 non-life insurance companies, 14 reinsurance companies in India, with several applications in the pipeline.The IRDAI has been vigilant and steadfast in achieving its mission of “insurance for all by 2047”, with aggressive plans to address the industry’s challenges. The Indian insurance market is expected to reach US$222 billion[14] by 2026.

04. The basic corporate tax rate applicable to foreign reinsurance companies operating in India through branch offices has been reduced from 40 percent to 35 percent vide the Finance Act, 2024.

05. Per the IRDAI report, the market penetration for insurance in the country increased from 2.71 percent in 2001 to 4 percent in 2023. In FY2022-23,

   – **Life insurance**
   Reported a premium income of INR 83,00,000 million (about US$95,402 million) representing a substantial growth rate of 6.06 percent compared with the preceding financial year.

   – **Non-life insurance**
   Reported a significant increase in premium income of INR 29,00,000 million (about US$33,333 million) representing a substantial growth rate of 12.76 percent compared with the preceding financial year.

[12] https://www.investindia.gov.in/sector/bfsi-insurance
[13] https://policyholder.gov.in/indian-insurance-market#:~:text=1 percent20In percent20life percent20insurance percent20business,increased percent20by percent201.18 percent20per percent20cent.
[14] Redseer Strategy Consultants report

06. This impressive growth rate is primarily driven by overall growth in the financial industry, greater private-sector participation, strong competition among players and improved capabilities in distribution, operation, innovation and efficiency.

07. Recently, India has opened its insurance sector to private companies, enhancing the initial capping of 26 percent to 74 percent on FDI. The Union Budget 2025 has raised this limit to 100 percent. In addition, FDI of up to 100 percent is allowed in insurance intermediaries through the automatic route.

08. In Union Budget 2025, there is a retrospective amendment to exempt services provided or agreed to be provided by insurance companies by way of reinsurance services under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme from the levy of service tax. Further, the amendment allows insurance companies to file claims for refund of service tax paid on such services, provided the claim is filed within a period of six months from the date on which the Finance Bill, 2025 receives the assent of the President.

09. The IRDAI initiated a pilot in July 2023 to transition from a factor-based solvency regime to a risk-based capital regime, which aligns with the new IND-AS standards, separating insurance outcomes from financial transactions. This should also augment the government's plan to implement IndAS 117, replacing Ind AS 104 and insurance contracts based on recommendations from the NFRA and ICAI. IRDAI is also re-examining old policies and issuing new policies around expense management, investment regulations, etc., to make them more business-friendly and forward-looking.

10. Cyber insurance is becoming one of the fastest-growing insurance products in India, and IPR insurance products are also gaining attention.

11. The IFSCA is continuously introducing new liberal regulatory regimes to facilitate the formation of insurance businesses in IFSC-GIFT City[15] to augment the government's target to make it a global insurance hub. The idea is to compete with offshore financial centres, such as Singapore, Malaysia, Dubai and Hong Kong, which currently dominate the insurance business in Asia. This has attracted several insurance companies to set up operations in IFSC-GIFT City.

12. The Indian domestic tax law provides for a special tax regime for the taxation of profits of any insurance business in India. Life insurance companies are taxed on the surplus/deficit disclosed by the actuarial valuation, and non-life insurance companies are taxed on the profits derived by making specific adjustments to profits disclosed in the profit and loss account. The legislation also offers a reduced tax rate of 12.5 percent on income generated from life insurance. While there is a specific code for taxing insurance, several complex tax considerations and litigious issues still need to be managed.

13. TP trends

Prominent TP issues during audits in the insurance Industry

- Liberalised inbound cross-border investments, stringent corporate governance norms and attribution of profits to PE, profit split method for the integrated transaction, the role of intangibles, etc., per the guidelines prescribed by the OECD and UN TP manual on complex issues.
- Remuneration for services provided by GCCs of insurance players, payments by JVs towards management charges, cost allocations, royalty, sharing of reinsurance premium, claim settlements, ceding commission, etc.

Measures to alleviate TP risk/exposure

- Adapted TP considerations/analysis based on the best global practices to keep pace with the emerging trends and complexities in the reinsurance business, InsureTech, captive insurance, etc.
- Robust corporate governance for related party transactions per the SEBI LODR/Companies Act

[15] Kindly refer IFSC chapter for details

D.1.2. Other segments of the FS industry

The establishment of a world-class financial services centre in Gujarat offers many opportunities for the financial sector.

1.2.1. IFSC GIFT City

01. As India seeks to expand its economic activities globally, IFSC-GIFT City has been set up in Gandhinagar, Gujarat as a dedicated IFSC to provide a platform to undertake financial sector services efficiently and compete with other international markets. IFSC-GIFT City provides a strategic location to develop an efficient platform for inbound and outbound foreign currency transactions. It is already ranked third by the Global Financial Centres Index and is one of the 15 centres expected to become more significant soon.

02. The IFSCA is the unified financial regulator established under the IFSCA Act, 2019, to act as a single window. It has a statutory mandate to develop and regulate financial institutions/services/products in India.

03. The IFSCA has issued several regulations and guidelines providing the framework for services such as banking, capital markets, fund management, insurance, bullion, finance companies, aircraft leasing, ship leasing, GICs, FinTech, foreign universities and ancillary services. Banks have already been established and the following businesses are now picking up the pace in IFSC-GIFT City:

Fund management activity

In line with global trends, the FME Regulations streamline the regulatory framework around the registration of pooling vehicles (as financial products), such as mutual funds, venture capital schemes, and AIFs in the IFSC-GIFT City. The fund manager operating such products obtain registration with IFSCA rather than registering the funds/products each time with IFSCA.

Insurance

Insurance is another sector that requires attention in the IFSC-GIFT City. IFSCA has been issuing requisite guidelines/framework to make it an insurance/reinsurance hub to compete with other global centres in the future.

GIC

Considering India's GCC capabilities, setting up financial services focued GICs at the IFSC-GIFT City (to provide support services to entities within its financial services group) is also picking up speed; a few large players have already set-up operations.

Aircraft & Ship leasing

There has been unprecedented growth in the Indian aviation sector over the past decade, with exponential acceleration in the past five years. This acceleration is leading to a significant growth in aircraft financing and leasing activity in the IFSC GIFT City. In addition to tax exemption provided to specified incomes, the time limit for aircraft leasing operations has been extended from 31 March 2025 to 31 March 2030 as per Union Budget 2025. Likewise, the IFSC has introduced a framework to facilitate ship finance and operating leases. The tax exemptions as well as extension of the aforesaid sunset clause provided to aircraft leasing has been provided even to ship leasing activities.

04. The supplies to SEZ units are now treated as zero-rated only if used for authorised operations.

05. Several fiscal incentives have been announced by the government to draw investment into IFSC-GIFT City. Some of the key incentives include the following:

    The Finance Act 2024 has paved the way for mutual funds to set up retail schemes and ETFs in IFSC-GIFT City, including them as part of "specified funds" (which included Category III AIFs set up in the IFSC-GIFT City) and extending similar tax benefits to such schemes. Moreover, IFSC-regulated venture capital funds will be granted tax parity with SEBI-registered VCCs.

06. The Union Budget 2025 has provided the following key incentives:

    (i) Exemption from the proceeds received from life insurance policies issued by the IFSC insurance office without the condition related to the maximum premium payable on such policy.

    (ii) Tax-neutral relocation for retail schemes and ETFs regulated by the IFSCA.

    (iii) The sunset date for fund managers to set up operations in IFSC, to be eligible for any relaxations of the conditions, is extended to 31 March 2030. Further, the existing condition of the aggregate participation or investment in the fund by persons resident in India should not exceed 5 percent, to be tested as on 1 April and 1 October of the financial year with a grace of four months.

07. Indian TP regulations could apply for intra-group transactions amongst entities located in IFSC-GIFT City and HO/other entities, depending on the case. Therefore, making robust functional and economic analysis is necessary to determine the arm's length nature of such transactions.

Operate with special offshore status within India
Provide income tax holiday for 10 continuous years (of 15 years) and lower base MAT rate of 9 percent (wherever applicable)

No STT and CTT on transactions in securities/commodities are undertaken on the IFSC stock exchange; no GST on services: (i) received by the unit in IFSC (ii) provided to IFSC/SEZ units, offshore clients

Exempt from capital gains tax and dividend income to aircraft leasing businesses, subject to conditions. A lower tax rate of 10 percent on dividends is received by non-residents from the IFSC unit

Permit financing for equity investments in domestic acquisitions, a capability not previously available due to Indian ECB regulations

Recognised ODI or over-the-counter derivative instruments as valid legal contracts

Single-window IT system to be set-up for registration and approval from the IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI

D.2. Technology, media and telecommunications

Since the onset of the digital age, technology has been a key catalyst in reshaping the global landscape, fostering significant transformation. India, known for its adaptability to cutting-edge technologies, has consistently demonstrated a dynamic approach, leading to ground-breaking innovations.

During her Union Budget 2025 speech, the Finance Minister said, “As we complete the first quarter of the 21st century, continuing geopolitical headwinds suggest lower global economic growth over the medium term. However, our aspiration for a Viksit Bharat inspires us, and the transformative work we have done during our Government’s first two terms guides us, to march forward resolutely.” This reaffirms the government’s dedication to establishing India as a global digital powerhouse.

FY2024 has been a year of continued revenue growth focusing on strengthening industry fundamentals and building trust and competencies. In FY2024, India’s technology industry revenue, including hardware, is estimated to cross US$245 billion (3.8 percent y-o-y growth) in FY 2024, an addition of US$9 billion over the past year.[16]

Global Capability Centres (GCCs) are growing rapidly in India, with the number of centres and their impact on the country's economy increasing.[17] They were formerly back office set-ups by MNCs for outsourcing. However, such facilities in India have evolved into innovation hubs and CoEs. As of December 2024, India has a thriving ecosystem of more than 1,800 GCCs; about 44 percent of the new GCCs established in India were from the software and internet verticals. were from the software and Internet verticals.[18]

D.2.1.Emerging business trends

The gradual evolution of IT and the existing systems and investments represent three foundational forces: the business of technology, cyber and trust and core modernisation.

2.1.1.Emerging trends and business

5G technology

Enhancing 4G infrastructure and extending it to remote villages, the introduction of 5G technology aims to integrate underserved areas into the mainstream[19] with the current 4G coverage, 5G adoption is anticipated to constitute about 40 percent of mobile subscriptions in India, reaching 500 million by the end of 2027.[20]

OTT platforms

Over the past few years, the number of video streaming platforms have sharply risen. Within the past five years, online searches for Amazon Prime Video increased by 231 percent. Video streaming revenue is anticipated to rise by over US$5.3 billion annually by 2027.[21]

[16] NASSCOM Technology Sector in India 2023: Strategic Review
[17] NASSCOM:Tech Industry revenue set to reach $245 Bn in FY2023
[18] GCCs are offshore facilities set up by Multinational Corporations (MNCs) in India to provide support services to their parent organisations.
[19] NASSCOM – Zinnov India GCC Trends Half Yearly Analysis
[20] https://www.business-standard.com/article/companies/bsnl-s-125-000-new-4g-towers-to-come-up-in-rural-hinterland-122111800813_1.html
[21] Mobile subscribers report by swedish telecom gear maker Ericsson

Supercloud
Many businesses are adopting multi-cloud approaches for tailored features and cost-effectiveness but face challenges with diverse platforms and services. In the Indian market, specialised superclouds cater to those desiring dynamic environments. Surveys show that 84 percent of Indian enterprises prefer hybrid multi-cloud models, with 58 percent planning implementation within three years.[22]

Semiconductor
India is seeing a rise in investments in the semiconductor sector as numerous companies plan to manufacture units in Southern India. India's semiconductor demand, currently at US$45-50 billion, is projected to increase to US$100-110 billion by 2030.[23]

D.2.2.Tax landscape in India (incentives and trends)

2.2.1.Corporate income tax

i. Income tax incentives and regimes

The government of India has introduced certain tax incentives and regimes, including a lower rate of taxation for corporates for some time to attract foreign investment in India. A few of such incentives are as follows:

Incentives for start-ups

- Domestic tax law offers eligible start-ups a 100 percent tax holiday for three consecutive years within 10 years provided they are incorporated before 1 April 2030.
- Distinct conditions are outlined for carrying forward losses for eligible start-ups.
- Exemption from capital gains tax is provided on the sale of residential property when invested in eligible start-ups.
- The law allows the deferment of tax payments on the exercise of ESOPs in eligible start-ups.

Patent box regime

- Royalty income earned by an Indian resident patentee from a patent developed and registered in India is subject to taxation on a gross basis.
- The applicable tax rate for such income is a concessional 10 percent, with an additional surcharge and cess.

Incentives for FinTech

- FinTech firms establishing offices in IFSC can benefit from incentives, such as a 100 percent tax holiday for 10 consecutive years out of 15 years.
- In addition, these firms may enjoy a reduced MAT rate of 9 percent.

[22] Fourth annual Enterprise Cloud Index (ECI) report findings
[23] https://www.thehindubusinessline.com/info-tech/indias-semiconductor-demand-is-expected-to-reach-100-110-billion-by-2030-says-miety-secretary/article69381759.ece

ii. Other amendments in provisions relevant to the technology, media and telecommunications industry

- The scope of withholding tax provisions has been expanded to bring within its ambit the payments made by e-commerce operators to Indian resident e-commerce participants.
- Customs tariffs have been revised for the import of interactive flat panel displays and parts thereof. The tariff on finished products has increased but decreased for the parts thereof to boost local production.
- A presumptive taxation regime has been announced for non-residents engaged in the business of providing services or technology to a resident company establishing or operating an electronics manufacturing facility or a connected facility to manufacture or produce electronic goods, articles or things in India.
- Imports of ground installations for satellites and payloads and spares and consumables of such installations are now exempt from duty.
- A specialised tax structure for online game winnings is implemented, featuring a flat 30 percent tax rate (plus applicable surcharge and cess). In addition, a withholding tax provision is introduced for tax collection by the payer during payment or year-end.

2.2.2.Indirect tax

i. GST and customs

Goods and Services Tax

- Export of services are zero-rated under GST and companies are entitled to claim refund of GST paid on procurement of inputs and input services.
- SEZ units are entitled for upfront exemption from GST on all procurements meant for use in authorised operations.
- Most of the IT hardware, networking products and input services are taxable at 18 percent, except for specified monitors and televisions, which are taxable at 28 percent.

Basic Customs Duty

- The customs duty on furniture, printers, and networking equipment (largely imported by companies in this sector) ranges from 7.5 percent to 25 percent. It is interesting to note that the customs duty in case of IT goods such as, laptops and servers continue to remain NIL despite the PLI scheme launched for IT products as part of Make in India initiative.
- There have been complexities in claiming duty exemption in respect of specific networking products.

ii. Production linked incentive scheme

Various PLI schemes were launched by the government to boost domestic manufacturing and exports from India in the electronics and IT hardware manufacturing and telecom sectors for an outlay of approximately US$3.6 billion. A few such schemes are as follows:

PLI scheme was announced for manufacturing mobile phones in the past and attracted investment from large players as part of a phased manufacturing programme. These companies are now applying for the incentive under the PLI scheme, which has become a flagship scheme under the Make in India initiative of the government.

iii. Other incentives

To encourage investments from the TMT sector, various state-specific policies/schemes are notified by various State Governments in India (Telangana, Maharashtra, Karnataka, Tamil Nadu, Madhya Pradesh, Gujarat, Andhra Pradesh, Meghalaya, etc.) providing both fiscal and non-fiscal incentives, such as:

Fiscal incentives

- Reimbursement of state tax (reimbursement of registration fee, stamp duty, transfer of property duty)
- Electricity duty and water charge concession
- Capital subsidy
- Reimbursement of operating expenses
- Employment generation/training subsidy
- Lease/rental subsidy

Non-fiscal incentives

- Uninterrupted water and power supply at concessional rates
- Better connectivity
- Single window facilitation
- Additional FSI

Such incentives are subject to various factors, such as investment size, employment generation, zones and business activity. There has been a special emphasis on recent emerging areas, such as data centres, semiconductors, electronics system design and manufacturing and telecom infrastructure. The focus has also been to retain IP within the country, offering opportunities for its commercialisation and additional benefits.

iv. A few emerging trends

Widening of ambit of supplies falling under online information database access or retrieval services is being provided by suppliers from outside India

Free of cost import of services between related parties is mostly seen in global sourcing by overseas group company that provides trademark, IP, software, etc., to Indian subsidiaries at no cost

Employee secondments amongst group companies would have potential exposure to GST as held by the Apex Court in India

Amendments introduced with effect from October 2023 to levy GST at 28 percent on contest entry amount in respect of online gaming

2.2.3. Transfer pricing

Indian tax authorities have taken significant steps to provide taxpayers with certainty regarding their TP arrangements. Below is a snapshot of these arrangements:

i. Advance pricing agreement

- The Indian APA programme in the TMT sector, launched in 2012, has achieved notable success.
- APA applications and agreements focus on the service sector, particularly in software development and business process outsourcing.
- The IT industry stands out as a key participant in the APA programme, leading the way with 21 bilateral APAs and 47 unilateral APAs signed from FY2019–20 to FY2021–22.
- Over the decade, companies in the TMT sector have accounted for about 50 percent of total bilateral APAs and 34 percent of total unilateral APAs.

ii. Safe harbour

Companies engaged in the following services can be covered under the Indian Safe Harbour regime:

- Software development services
- Information technology enabled services
- Knowledge process outsourcing services
- Contract R&D services wholly or partly related to software development

Companies undertaking the above international transactions up to US$24 million and earning an operating profit margin in the range of 17–24 percent may apply for safe harbour with the Indian tax authorities.

A safe harbour provision will be introduced to ensure tax certainty for non-residents storing components for supply to designated electronics manufacturing units.

iii. Mutual agreement procedure

- Indian tax authorities actively engage in resolving TP disputes through MAP.
- Regular meetings with treaty partners are conducted to address these disputes effectively, and a framework agreement on software development and IT-enabled services has been established between the Indian and US tax authorities.
- This framework agreement facilitates the resolution of numerous TP disputes within the IT industry.
- Frequent meetings with various treaty partners have allowed Indian tax authorities to resolve double taxation disputes across multiple jurisdictions successfully.

D.2.3.Outlook

India’s TMT sector holds immense promise as the country’s robust technological growth and strategic initiatives indicate a growing landscape. With the TMT sector gaining momentum, India is positioned as a global technology hub, with substantial investments in 5G and hybrid multi-cloud systems.

India's large pool of technology and creative talent will continue to evolve in the age of AI and maintain its position as a global technology hub. Notably, the nation’s proactive steps in expanding digital infrastructure, such as plans to set up 4G towers in rural areas, reflect a commitment to bridging the digital divide and ensuring widespread connectivity. Such developments highlight India’s potential for significant advancements and economic opportunities, making it an attractive investment destination.

With its trajectory of innovation and market potential, investing in India’s TMT sector presents a compelling opportunity for global investors seeking long-term growth and active participation in digital transformation.

D.3. Consumer industry

The consumer industry in India is a diverse and rapidly evolving sector that encompasses a wide range of products and services, including FMCG, retail, e-commerce, consumer electronics, automotive, tourism and hospitality. India has been one of the world's fastest-growing consumer markets, driven by its large population, rising middle class and increasing disposable income. The Union Budget 2025 has implemented measures to boost consumption by increasing disposable income, easing inflationary pressure and generating employment to reinvigorate the slowing economy.

D.3.1. Automotive sector

India's automotive sector is the third-largest sector in the world. The automotive sector's contribution to India's GDP has increased by more than 2.5 times in the past 3 decades to 7.1 percent in FY2023 with an FDI of US$35.4 billion between April 2000 and September 2023. The sector has bounced back from the COVID-19 pandemic slump and reported a double-digit growth in both domestic sales volume and exports between FY2022 and FY2023. The industry is witnessing significant shifts, presenting various new opportunities:

Electric mobility | 40 percent consumers have shown intent to purchase EV

- Sustained focus on boosting EVs through reforms and incentives programmes, encouraging green mobility and development of EV charging infrastructure.
- Shift in consumer preference attributable to **lower fuel costs,** better **driving experience, less maintenance** and **financial incentives** available to EV buyers.
- **Central PLI programmes** - PLI for EVs and AAT components; ACC Battery; Technical Textiles (Airbags); LEDs (Displays) | Semiconductor package of US$10 billion has been extended up to September 2024.
- **State incentive programmes** – Waiver of road tax | Buyer subsidy linked to FAME-II| Interest subvention on loans for purchase of EVs | Capital subsidy or GST-linked programmes.

Sustainable mobility | High importance towards sustainable mobility

- Given the rise of crude oil prices, increasing vehicle pollution and consumer acceptance, many OEMs focus their R&D efforts on alternative fuel options, such as natural gas, propane and biodiesel, to maximise their market share.
- Government focus on increasing methanol percent in fuel as cleaner alternative | Objective - make all commercial and passenger vehicle driven by fuel which is 20 percent methanol mix.

Localisation | Giant steps taken towards localisation of vehicles

- Setting up a unit – Eligibility to avail lower tax rate of 15 percent, subject to specified conditions | 100 percent FDI in the automobile sector.
- OEMs focusing on localisation of their vehicles to remain competitive.
- Exemption of Customs duties on critical minerals | Help make EVs affordable, drive mass adoption and reduce emissions.
- Allocation of INR 2,818 crore for PLI scheme for automobile and auto components (Budget 2025-26).

New business models and opportunities

- Rise of electric mobility, such as battery swapping, e-waste recycling, and charging services.
- Changing consumer preferences is giving rise to new business models such as D2C (Direct to consumer) sales, last mile delivery, and leasing and subscription.

Connected mobility | Value generation from ecosystem play

- Growth of connected vehicles | Giving rise to various subscription-based services | Examples enhanced infotainment experience, safety, vehicle health, etc. (50 percent customers who are willing to pay for connected services would prefer paying for connect services as part of the vehicle purchase price)

- The use of telematics in vehicles - Paving way for new business models and services such as fleet management, predictive diagnostics and use-based insurance.

Source: Deloitte's GACS 2023 survey

D.3.2.Tourism and Hospitality

India's tourism and hospitality sector, the eighth largest globally, is a significant contributor to the Indian economy. The sector has bounced back from the effects of the COVID-19 pandemic. It reported foreign exchange earnings of about US$30 billion in FY2024, and created ~88 million direct and indirect employment opportunities. Travel and tourism are two of the largest industries in India, with a total contribution of about US$199.6 billion to the country's GDP. Tourism's GDP is expected to grow at an average of 7.1 percent annually. In India, 100 percent FDI is permitted for tourism construction projects, including developing exquisite hotels, resorts and recreational facilities. There are various trends shaping the future of the tourism and hospitality sector in India:

Government initiatives: India's rich geographical, cultural and historical diversity makes tourism a focal point for the government

- Government opened doors for 100 percent FDI
- To enhance infrastructure, skill development and travel facilitation, the budget 2025-26 allocates INR 2541.06 crore
- Government initiatives: Swadesh Darshan 2.0 scheme | Provisional approval for incorporating 28 additional tourism air routes | 100 percent deduction on capex incurred for the process of establishing new hotels (2-star to 7-star category) | Mudra loans for homestays

Digital initiatives: Changing consumer habits and preferences, and advancement in technology are leading to implementation of various digital initiatives.

- Government initiatives for tourist needs: 24x7 multilingual helpline | e-visa | online ticket booking facilities (50 percent sales of the tourism sector are happening on digital platforms & online booking services) | NIDHI 2.0 (National Integrated Database of Hospitality Industry)
- Reputed hotel chains and travel agencies are implementing various technological based initiatives to enhance and personalise customer experience.

Increasing foreign tourists (9.24 million in 2023): Foreign travellers are drawn to India for its rich cultural heritage, diverse landscapes, spiritual attractions, unique cuisine and warm hospitality

- Developing tourist centres through projects focusing on port connectivity, tourism infrastructure and amenities.
- Budget 2024-25 streamlined tax regime to promote employment through cruise tourism.
- Budget 2025-26 enhanced e-visa facilities and introduce visa-free waivers for select tourist groups.
- Simplifying tax procedures for foreign shipping companies operating domestic cruises
  - Introducing a presumptive tax framework with 20 percent of revenue deemed as taxable profits
  - Tax exemption on lease rental paid by an NR company to a foreign company with a common parent operating cruises in India

Medical and cultural tourism (India ranked 10th out of top 46 countries | 7.3 million medical tourists): Cost-effective treatment and cultural diversity mix makes India a favourable destination.

- Government is expanding the e-medical visa facility to citizens of 156 countries, facilitating medical visits for specific purposes.
- Focus on Eastern India's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes and pristine beaches, making it an ultimate tourism destination. (Budget 2024-25)
- Heal in India" initiative to be promoted in partnership with the private sector, enhancing India's position as a premier global healthcare destination (Budget 2025-26).

D.3.3. Consumer products and retail

India is expected to be the third-largest consumer market by 2030 with the retail market contributing 10 percent to India's GDP and having an 8 percent share in employment. The sector has grown at 26 percent CAGR in the past three years. The industry has evolved, with changing consumer preferences driven by rising disposable incomes, urbanisation, a burgeoning middle class and a technology-empowered consumer base. Disruptive technologies, such as Generative AI, IoT, AR/VR and evolving consumer experiences through omnichannel, have been catalysing the growth in scale and size. Budget 2025 offers significant tax relief through rebates, which is anticipated to boost domestic consumption and invigorate the retail sector. This increased disposable income will enable consumers to spend. Some of these measures are mentioned below:

- Reduction in customs duty on motor vehicles and motorcycles, luminaries and light fittings, parts of electronic toys, furniture, interactive flat panel display and knitted fabrics

- Duty-free inputs for the handicraft and leather sectors to boost export promotion

- Focus on developing clusters, enhancing skills and strengthening the manufacturing ecosystem to create high-quality, unique, innovative and sustainable toys that represent the "Made in India" brand

- Launch of a comprehensive "Rural Prosperity and Resilience" programme, integrating skill development, investment and technology to generate sustainable rural employment opportunities, with a focus on rural women and small-scale farmers

- Digitalisation of the agriculture sector to boost agricultural value chain and enhance efficiency

- R&D initiatives to enhance the production, storage and marketing of pulses and oilseeds to achieve self-sufficiency and encourage growth

- Schemes for rural development, development of rental dormitory-style housing for industries, PM Awaas Yojna and other initiatives to boost the growth of entry-level large consumer durables and stimulate future demand for home appliances

- The National Manufacturing Mission to drive the "Make in India" initiative by integrating small, medium and large industries into the global value chain, with a focus on making India a global hub. The mission also focuses on clean-tech manufacturing for climate-friendly development and facilitates a future-ready workforce for in-demand jobs.

D.3.4. Emerging business trends

Rise of new commerce

- New commerce - D2C, social, quick and live commerce
- New commerce channels to constitute ~40 percent of the e-commerce market by 2030

Omnichannel: Riding the experiential trend

- Advent of multiple touchpoints across various sales channels is transforming retail sales operations
- Growing preference for omnichannel fulfilment option such as BOPIS/BORIS/ ROPS, ~60 percent

Unlocking latent demand in rural market

- Rural markets expected to drive consumer growth with increasing access to technology and infrastructure development
- Rapid growth of e-comm in tier-2/3 cities (5–6 X of tier-1) with ~60 percent of total e-comm orders in 2022 coming from these cities

Growth of luxury market

- Luxury market to grow at ~20 percent CAGR to reach US$30 billion by 2030
- Young millennials catalysing sale of aspirational luxury products with the help of new-age digital payments (including EMI offers, buy-now-pay-later, etc.)

Private label growth

- Private Label sales expected to grow at a 20 percent CAGR and constitute ~30 percent of supermarket sales by 2030
- Expansion into a wider category base and foray into hyper-market formats

Rise of kirana tech

Rapid penetration of tech solutions in Kirana stores for digital payments and mobile application-based procurement. Inclusion of Kirana stores in digital retail ecosystem could potentially enhance discoverability, margins and customer relations

The government of India has implemented a range of policies and initiatives to encourage investment and boost this sector. These initiatives include relaxation in the FDI norms and other schemes.

100 percent FDI is allowed under automatic route

- Wholesale trading
- Single-brand retail trading
- Production of automobiles
- Tourism construction projects, development of hotels, resorts and recreational facilities, food

100 percent FDI is under government route

- Retail trading through e-commerce in respect of food products manufactured or produced in India

51 percent FDI is under government route

- Multi-brand retail

India offers a promising outlook for the growth of consumer-focused businesses, driven by favourable tax reforms and an improving business environment. The government is constantly working on streamlining and simplifying tax compliance mechanisms. Initiatives such as the reduced corporate tax rate of 22 percent and exemptions from the Minimum Alternate Tax (MAT) for new manufacturing companies leave businesses with more funds for expansion and reinvestment.

Additionally, the implementation of the Goods and Services Tax (GST) has simplified the indirect tax regime, improving supply chain efficiency and reducing the overall tax burden. These reforms, along with the abolition of the dividend distribution tax, lower compliance costs and support long-term growth.

Budget 2025 encourages states and the private sector to invest in infrastructure and boost capital expenditure to create assets and employment, ensuring long-term sustainable growth. The focus on developing urban infrastructure and regional connectivity creates more growth centres and ensures broad-based and inclusive growth. Building AI capabilities through investments in education, R&D for innovation and cybersecurity will build the ecosystem and infrastructure to remain ahead in the technology race. Initiatives such as the ”National Manufacturing Mission” supporting “Make in India” and “Ease of Doing Business,” along with India’s large consumer base, young workforce, and strategic location, make the country an attractive destination for business expansion. Such initiatives shall position India as a global manufacturing hub. The budget also focuses on boosting exports by empowering MSMEs, expanding domestic manufacturing, and upgrading logistics and warehousing infrastructure. Further, the formation of Special Economic Zones (SEZs) further enhances business operations by providing tax benefits and duty-free procurement. With these factors in place, India presents a strong foundation for consumer-focused businesses to thrive and capitalise on growing market opportunities.

D.4. Energy, resources and industrials

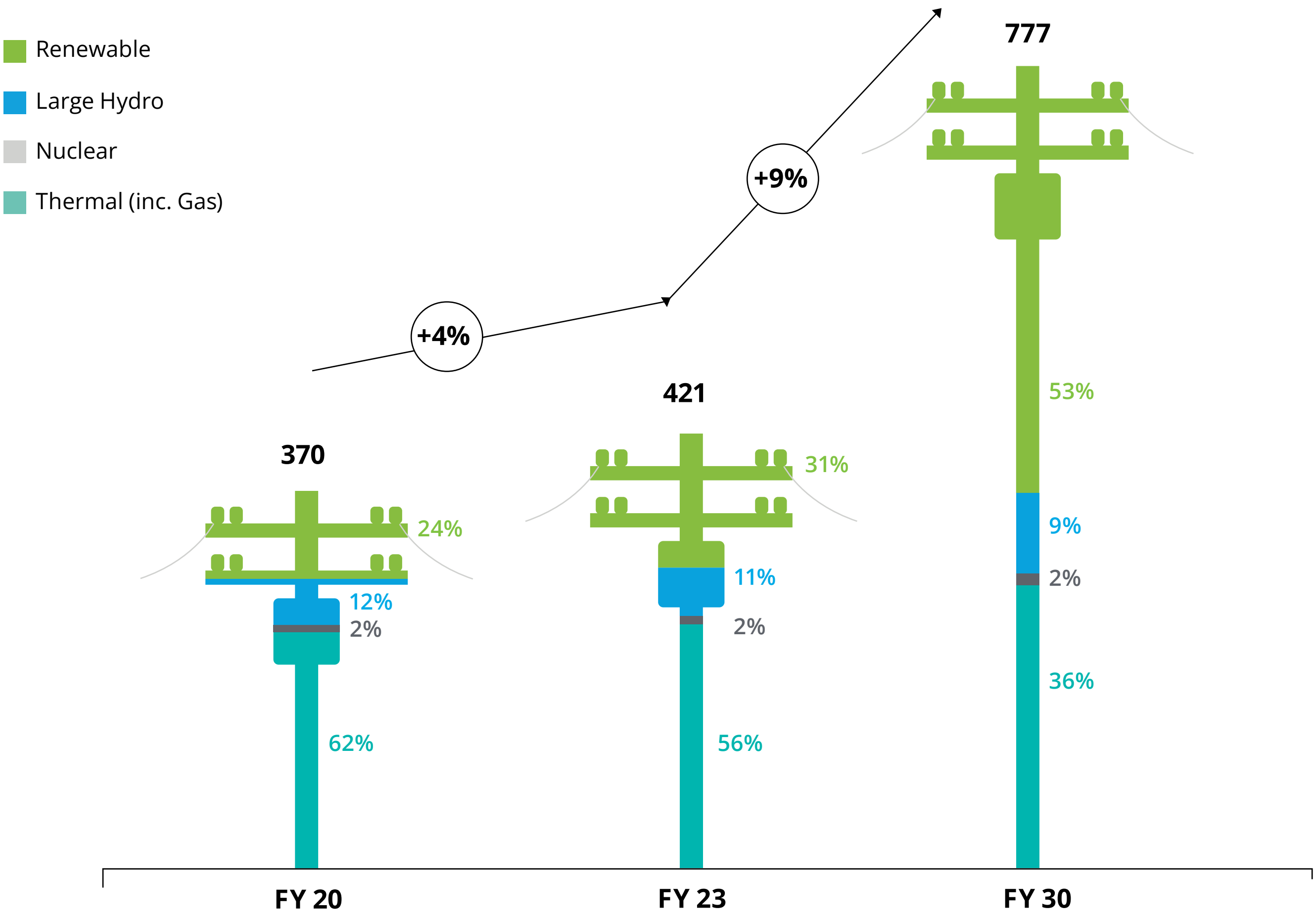
India has transitioned from being a power-deficit nation to a country that meets its demand with large capacity additions in renewables.

D.4.1. Renewables

The government of India has targeted to reach 500 GW in RE by 2030 (450 GW from solar and wind, 70-100 GW from large hydro). Renewable sources of energy are expected to lead the green transition, with a 53 percent share of installed capacity and a 32 percent share of gross generation in India by 2030. India stands committed to reducing emissions with the long-term goal of reaching net-zero by 2070 with major contributions from renewables.[24]

Factors boosting RE capacity addition include favourable policies, technological advancements, foreign investments and incentives for the domestic production of solar modules and battery storage. Transitioning to clean energy is a huge economic opportunity for India.

Installed Electricity Capacity (GW) Growth



[24] Source: https://pib.gov.in/PressReleasePage.aspx?PRID=1847813

Sub-technology sectors

- **Solar:** India has 5,000 trillion kWh of solar energy incidents per year in the land area. This huge potential, coupled with a favourable regulatory landscape, has driven solar to achieve the highest growth rate in installed capacity. A similar growth trend is expected to continue in the future as well. The Union Government is steadily progressing on its path of expansion of RE. With flagship schemes, such as PM Surya Ghar Muft Bijli Yojana, being currently implemented on a wide scale, solar installed capacity, particularly through rooftops, is set to witness unprecedented growth.

  To boost domestic manufacturing; the Customs duty on solar panels and cells was reduced, recognizing the importance of the value chain and boosting domestic manufacturing. The Union Budget 2025 reduced import duties on solar panels by cutting Basic Customs Duty (BCD) from 40 percent to 20 percent and exempting the 10 percent Social Welfare Surcharge (SWS). However, with a 20 percent Agriculture Infrastructure and Development Cess (AIDC), the overall duty dropped by only 4 percent. For solar cells, the BCD was reduced from 25 percent to 20 percent, and the 10 percent SWS was exempted. However, with a 7.5 percent AIDC, the overall duty remained unchanged.

  To boost local manufacturing, developing an indigenous supply chain, including capital goods, will be crucial.

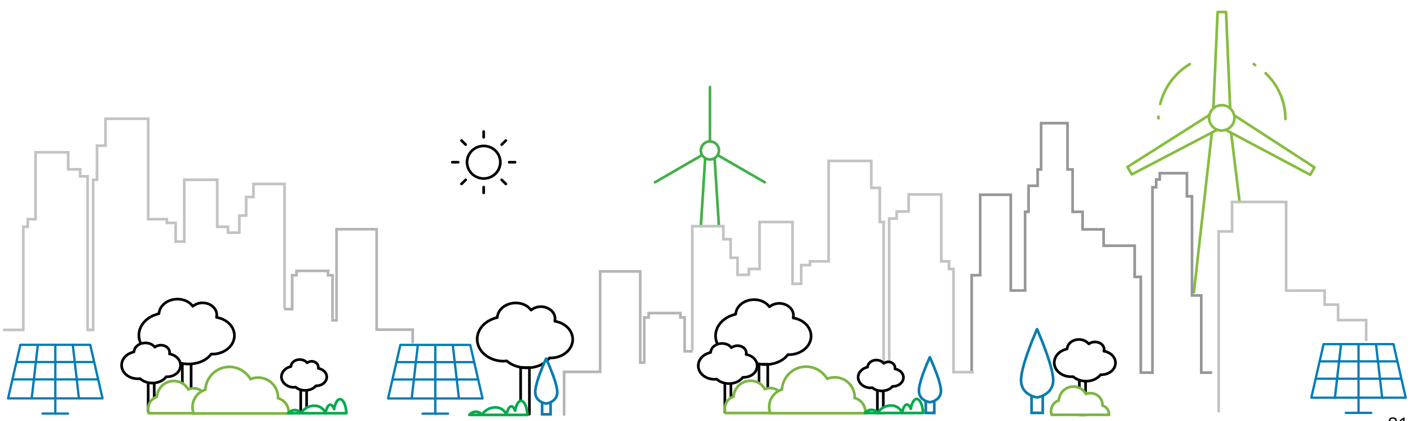
- **Wind:** Solar-installed capacity overshadowed wind-installed capacity in the past. With technologies such as Round-the-Clock (RTC) and offshore wind development, wind is expected to contribute significantly to the total energy mix.

- **Energy storage systems:** To address the intermittent nature of renewable energy technologies, ESS is looked at as the next major technology in the power sector over the next decade. With the increasing demand for RTC power, ESS as a service is expected to be used across many project designs in the future.

Key enablers to support large-scale renewable integration

The transition to clean energy is a huge economic opportunity for India. To promote holistic development, the GOI has introduced a series of regulatory initiatives focussing on improving price parity, bulk production, domestic manufacturing and grid parity.

- Expediting deployment of offshore wind
- Proposing solar cities and parks
- Creating a domestic supply chain
- Green Hydrogen Mission



- Need of affordable financing
- Making renewables dispatchable
- Grid integration through Energy Storage System (ESS) deployment

Source: Deloitte Analysis

Driven by their ESG agenda, Commercial and Industrial (C&I) consumers have a significant role to play in realising India's clean energy targets.

The C&I segment dominates the electricity consumption mix, contributing ~50 percent to India's overall consumption mix. In the past two decades, their consumption has grown at ~7 percent (CAGR) (Source CEA). Globally, C&I consumers are proactively, voluntarily and consciously attempting to increase their share of RE consumption. C&I is expected to majorly contribute to reaching the national clean energy target of 450 GW by 2030.

Key drivers for C&I consumers transitioning to clean energy

Factors motivating decision makers to shift to renewable sources of energy from IPPs include the following:

Cost saving

Affordability
RE is a cheaper variant compared with its brown energy counterparts, leading to savings and an improved bottom line.

Changing regulatory landscape
The government is offering several incentives and subsidies to promote RE adoption.

Feasibility
Procuring green energy from the grid is a time-consuming process, a reason why C&I players are procuring from IPPs.

Sustainability

Changing IPP landscape
Most of the IPPs had captive generation, which tends to be in thermal. But since thermal energy is becoming obsolete, this is not picking up pace. Hence, they are moving towards RE.

Energy security
RE sources are often domestically available. Relying on RE sources can enhance energy security by reducing dependency on imported fossil fuels and volatile energy markets.

Long-term stability and sustainability
Investing in RE lets organisations lock in fixed/predictable prices for a long period, allowing stability. They can also achieve their sustainability targets through this.

Source: Deloitte Analysis

Government initiatives towards promoting green power sale to C&I consumers via open access

The growth of RE in the Indian market is highly dependent on the policy and regulatory environment. The Indian government has taken several measures to accelerate RE adoption by C&I consumers. RE power is available to consumers at a much more affordable price vis-à-vis grid tariff. The government has taken appropriate measures to enable RE power achieve grid parity.

Government thrust towards green transition of C&I customers

Bilateral trade of REC

Bilateral trade of RECs has opened avenues for VPPA contracts for Indian electricity market.

Green OA

Green OA is formulated to promote RE via Green OA with OA allowed for 100 kw load and restricted increase in OA charges.

ISTS waive off

ISTS charge waive off for RE transactions is extended to C&I consumers.

Transmission planning and GNA

GNA Regulations brought in feasibility for bulk consumers to get connected to ISTS grid.

A key bottleneck to decarbonising MSMEs is financing and their access to finance. To address this bottleneck, the government had introduced a credit guarantee scheme and to prevent MSMEs from becoming non-performing assets, a government-promoted fund supports a guarantee of credit availability. Union Budget 2025 has enhanced access to credit under the credit guarantee cover. The budget has highlighted the "National Manufacturing Mission," focusing on MSMEs engaged in manufacturing.

The government emphasised the transition of MSMEs, as well as other large corporations, from the current "Perform, Achieve and Trade" mode to the "Indian Carbon Market". MSMEs will also get financial support for deploying clean energy and energy efficiency measures.

Battery Energy Storage System (BESS)

The BESS has a distinctive ability to stabilise intermittent renewable energy generation and plays a crucial role in India's clean energy ambitions. The utilities' increased inclination towards procuring RTC and peak power solutions has implications for bundling BESS with renewable supply. The uptake of BESS is largely dependent on the projected price reduction and establishment of a global supply chain.

The country anticipates a cumulative BESS demand of 47 GW/236 GWh[25] by FY2032, enabling the integration of approximately 596 GW of renewable capacity.

[25] pib.gov.in/PressReleaseIframePage.aspx?PRID=1928750

Three key trends propelling growth in Indian BESS industry

Continuous policy and regulatory support to foster domestic BESS industry

- Approval of Viability Gap Funding (VGF) for development of Battery Energy Storage Systems (BESS) (September 2023)
- National Framework for promoting Energy Storage Systems (August 2023)
- Notification of Energy Storage Obligation Trajectory until 2029–30 (July 2022)
- Issuance of standard bidding guidelines for BESS (March 2022)
- Notification of Ancillary Services Regulations, 2022 (January 2022)

New investment announcements in battery manufacturing

- The Government of India approved PLI scheme for manufacturing of Advanced Chemistry Cells (ACCs) of capacity 50 GWh with overall outlay of INR 181 billion in May 2021
- Of the total 50 GWh PLI capacity, 30 GWh is currently under construction and 20 GWh is in process of allocation
- In addition to the PLI scheme capacity, around 100 GWh capacity deployment is announced by industry players

Increase in demand for BESS in the domestic market

- Distribution utilities are increasingly looking to procure dispatchable power to match their demand patterns (in FY23 out of 9,900 MW bids announced or in process, 5200 MW (52 percent) is dispatchable in nature)
- The Government of India successfully concluded a tender for deployment of GWh scale standalone BESS (in 2022, SECI successfully concluded tendering of 500 MW/ 1,000 MWh standalone BESS capacity)
- 47 GW/236 GWh is the overall BESS demand projected by 2031–32 (per the National Electricity Plan for the period of 2022–32)

Source: Ministry of Power notifications and press releases, National Electricity Plan (2022-32), Ministry of Heavy Industries (MHI), Deloitte analysis

- Union Budget 2025 has also given a boost to the BESS industry. To boost the manufacturing of lithium-ion batteries in the country, 35 additional capital goods for EV battery manufacturing and 28 additional capital goods for mobile phone battery manufacturing were added to the list of exempted capital goods.
- The budget also reduced BCD from 20 percent to 10 percent on carrier-grade ethernet switches to make them comparable to non-carrier-grade ethernet switches.

Tax considerations

Wind, solar and hybrid (including round-the-clock project)

Thin capitalisation rules
Interest (paid to non-resident associate enterprise) up to 30 percent of EBITDA is deductible. Third-party interest payments are also covered (if guaranteed by parent).

Stamp duty value of land considered for share transfer
Agricultural lands are converted into non-agricultural lands for industrial use. Though market value could be lower, however considering stamp duty rates for industrial land, there could be a potential exposure of deemed income in the hands of buyer as well as seller.

Concessional tax rate
15 percent concessional tax rate available for power generating companies set up on or after 1 October 2019 and which commenced generating electricity by 31 March 2024.

- **NIL BCD** under ASEAN FTA, subject to value-add addition, for modules and lithium-ion battery imports
- Policy announced for **viability gap funding for BESS**
- Import duties **deferment/exemption benefits** under various schemes, such as MOOWR, EPCG, EOU and advance authorisation for BESS manufacturers
- GST rate on:
  - Supply of solar and wind energy power projects comes to about 13.8 percent
  - Supply of BESS is 18 percent
- **State incentives, such as** GST reimbursement, exemption from stamp duty, land tax and electricity duty

D.4.2. Green hydrogen in India

Green hydrogen is expected to play an important role in this energy transition, particularly in decarbonising the "hard-to-abate" sectors that cannot be electrified easily. I**t can be applied in fertilisers, refineries, steel production, and transport.**

Indian Hydrogen market is poised for investment

$2.2b
Budgetary allocation towards hydrogen supply & electrolyser manufacturing

~$185m
Allocation towards green hydrogen pilot projects

~$100m
Allocation towards R&D and other components

5 MT
Green hydrogen production target for domestic consumption

50–60 GW
Electrolyzer deployment target by 2030

~6 MT
Domestic grey H2 production and consumption

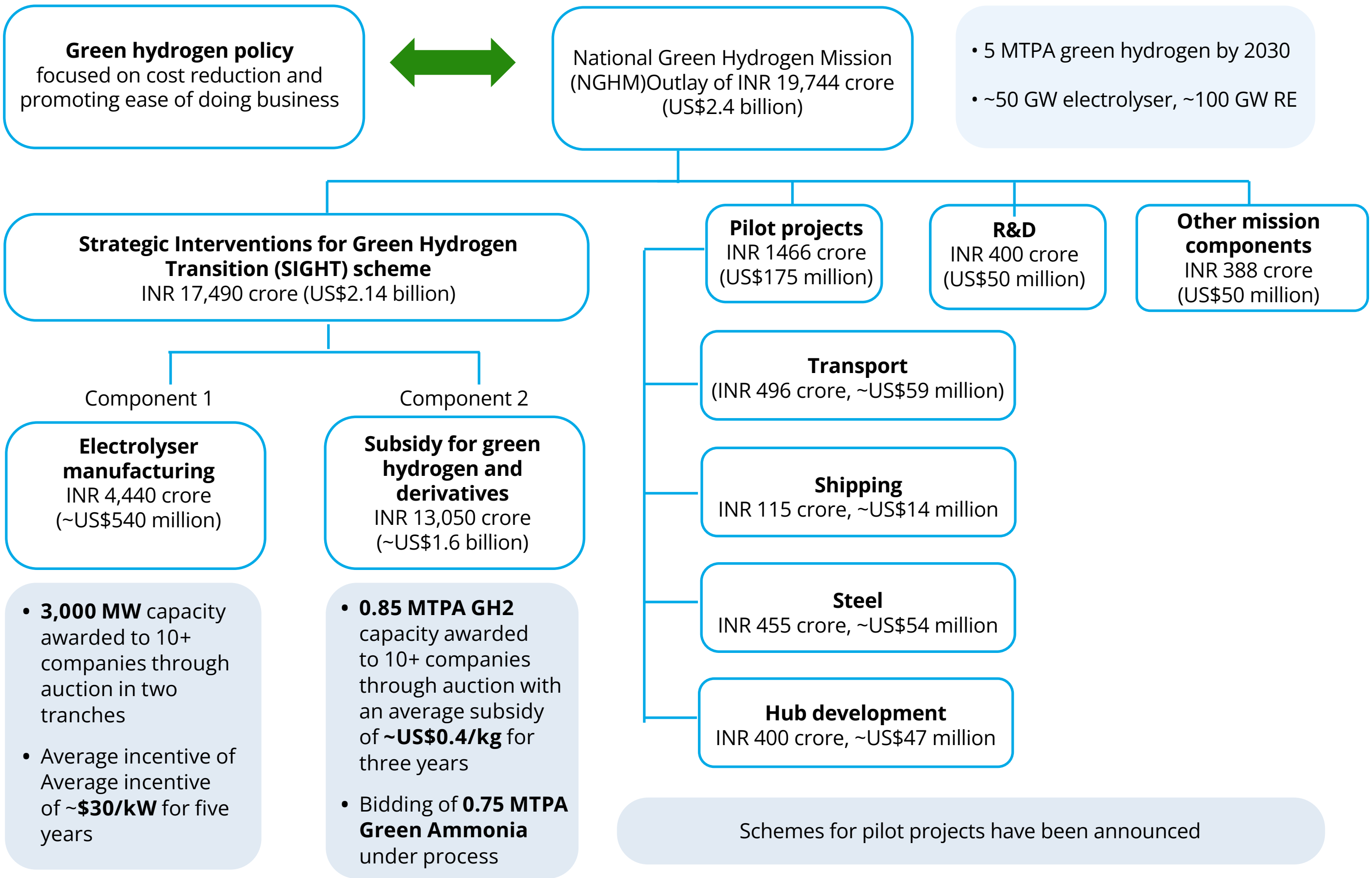
Key drivers for the hydrogen economy in India

- Ambitious emission reduction target and commitment to achieve **net-zero by 2070**
- **Favorable RE policy,** including faster grant of open access, transmission charge waiver and provision of banking of electricity; **dedicated hydrogen policy being implemented by States**
- Availability of **low-cost RE** and ongoing one of the largest RE addition program in the world
- Sizeable **substitutable domestic demand** and availability of **export ready infrastructure**

In 2021, the government of India launched the National Green Hydrogen Mission (NGHM), laying its vision, intent and direction for harnessing hydrogen energy. It was followed by the introduction of the National Green Hydrogen Policy. This policy intends to facilitate green hydrogen adoption by bringing down the costs of green hydrogen and easing the setting up of green hydrogen projects. The government's hydrogen vision was further cemented in January 2023 when the Union Cabinet approved the provisions of NGHM by sanctioning INR 197.44 billion outlay to make India a global hub for green hydrogen. The mission aims to reach an annual green hydrogen production of a minimum 5 MMTPA by 2030 and sets an aspirational target to capture 10 percent of the global demand.[26] The announcement of incentives along with the aspirational production target, positions India as one of the attractive destinations for green hydrogen production globally.

Initiatives by the Government of India to drive a hydrogen economy

Various government initiatives have been instrumental in developing a foundation for low carbon hydrogen



GH2 standard limits the emission from hydrogen production

Multiple pilot-scale projects are in various stages of development; a few large green ammonia projects are also in advanced stages, which are largely export-focused. Recently, under the NGHM, the government has initiated auctions for green hydrogen, green ammonia (for the fertiliser industry) and Production-Linked Incentive (PLI) for electrolyser manufacturing. A few refinery players have invited bids for setting up green hydrogen plants for captive consumption. These initiatives are expected to kick-start the hydrogen economy in the country.

[26] Source: India National Hydrogen Mission document

The announcement of the "National Manufacturing Mission" presents an opportunity to establish a robust ecosystem for components such as electrolysers. While the industry believes in the green hydrogen-led long-term transition, the current economics is not yet favourable. A cost difference (calculated based on cost curves applicable in the Indian market) of about ~US$2.0–2.5/kg of hydrogen compared with fossil fuel-based hydrogen (or other energy alternatives) is considered a major deterrent for Indian industries to adopt green hydrogen.

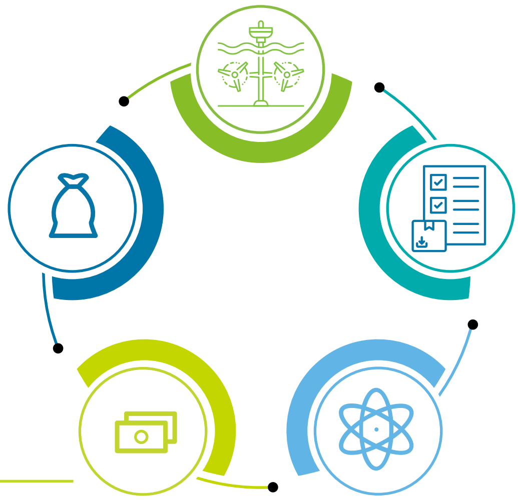
To bridge the cost gap between green hydrogen and other alternatives, such as grey hydrogen, natural gas, and coal, it is critical to focus on policy initiatives, ecosystem development, and innovative financing. While several export hubs are emerging across the globe, India has the unique opportunity to become a world leader in green hydrogen production and emerge as a major exporter with the distinct advantage of low-cost renewable.

Tax considerations

National Green Hydrogen Mission – Setting a target of **5 MMT of GH2** per year by 2030 for India

The incentive scheme **"SIGHT"**, with an outlay of INR 175 billion, was provided to incentivise the manufacturing of **GH** and **electrolysers.**

State-specific incentives are also available in the form of duty and tax exemptions
- Employment generation subsidy
- Customised package scheme



Import duties on electrolyser and other products can be saved under various schemes, such as EOU, SEZ.

Eligibility of green hydrogen and other derivatives (such as ammonia) for 15 percent concessional tax rate if company is set-up on or after 1 October 2019 and production commences by 31 March 2024

Investment structures to be evaluated (for single vs. multiple entity, FVCI investments, etc.)

- Inorganic chemicals used in GH production typically subject to **18 percent GST rate.**
- Supply of GH is subject to 18 percent GST rate.

D.4.3. Oil and gas sector

India is the third-largest global consumer of crude oil. Over the past decade, its demand has grown from 203.7 MT (FY2012) to 261.5 MT (FY24) at a CAGR of ~2.1 percent.[27] In FY24, the crude imports were ~88 percent of the total crude oil requirement. The government has taken steps to enhance production and substitute demand for crude oil products. These included the introduction of the Discovered Small Field Policy, the operationalisation of the National Data Repository, the launch of the Open Acreage Licensing Programme, the launch of the Special CBM Bid Round, pricing guidelines for natural gas and a single licence for conventional and unconventional hydrocarbons. The government has set a vision of reducing crude imports by 10 percent. Natural gas constituted 7 percent of the primary energy mix for India in FY2024.[28] The overall gas consumption in FY2024 was about 67,512 MMSCM. To strengthen energy security, In the Union Budget 2025, the Government of India significantly increased its allocation for the Strategic Oil Reserve, earmarking INR 58.76 billion for fiscal year 2025-26. This marks a rise from the INR 1.3 billion allocated in the Revised Estimates (RE) of the previous year.

Upstream

Upstream companies are investing in E&P assets to secure energy supplies: For example, ONGC is investing in deep water exploration activities to increase oil and gas production in India to increase energy security.

Energy transition and net zero initiatives are driving future strategy for upstream companies. For example, ONGC is expected to spend ~ INR1 trillion to achieve 10–15 GW of renewable energy capacity.[29]

Increase in collaboration between technology companies/start-ups and upstream companies: For example, ONGC is expected to enter into a joint venture with Greenko ZeroC to make green hydrogen.[29]

Digitalisation and reskilling expected to be areas for companies to remain competitive: For example, Shell has been using digital twins and AI-assisted seismic interpretation for well location optimisation while Exxon has multiple reskilling initiatives in emerging areas and technology.

Midstream

Investments in strategic petroleum reserves for energy security: There has been investment in building strategic petroleum reserves to absorb supply shocks. For example, ISPRL in India is planning to increase SPR capacities by 6.5 MT.

Increase in LNG infrastructure investments: The increasing demand for natural gas has led to multiple producers reviving liquefaction trains and customers ordering new LNG vessels to secure suppliers.

Investments in pipeline and other midstream infrastructure: : Increasing investments in pipelines, storage facilities (strategic reserves), etc. India leads amongst countries with an upcoming length of 29,881 km from 2023–2027.[30]

Innovation in delivery of LNG to customers – virtual pipelines (CNG/LNG): To increase penetration of natural gas, companies are developing new delivery systems, such as CNG cascade and ssLNG to reach areas without pipelines.

[27] PPAC;
[28] Press Information Bureau, MoPNG
[29] News reports
[30] PNGRB reports

Downstream

Investment in petrochemicals: Companies are developing and implementing technologies to extract more petrochemicals from crude oil. For example, OMCs such as IOCL, BPCL and HPCL are now building integrated refinery and petrochemical infrastructure.

Biofuels as a substitute of crude oil/natural gas products: Indian companies are adding biofuels, such as bioethanol, biodiesel, SAF and CBG in their portfolio to reduce import bill as well as support energy transition goals.

Transformation from oil to energy companies: Oil and gas companies are evolving into energy companies by adding energy from renewables, biofuels and other sources.

Non-fuel and multifuel retail: Retailers are offering multi-fuel alternative fuels (CNG, hydrogen, CBG and EV), convenient shopping, and experiential offerings in developed nations.

Tax considerations

1

Investment-linked incentives for companies engaged in laying and operating cross-country natural gas pipeline networks for distribution, including storage facilities, are subject to certain conditions.

Excise and VAT on petroleum crude, diesel, and natural gas with different VAT rates across states lead to price differentiation.

2

GST @ 18 percent on petroleum oils and oils obtained from bituminous minerals, specified petroleum gases, petroleum jelly, petroleum coke, petroleum bitumen.

3

Presumptive taxation for non-resident service providers who are engaged in the business of providing services or facilities or supplying plant and machinery on hire in connection with prospecting/extraction/production of mineral oils.

Make-specific provision for allowance of expenditure in the business of prospecting, etc., of mineral oils.

Restrictions on availing GST credit on purchases by Oil and Gas companies – petroleum products may be brought under GST (expected GST rate of 28 percent along with cess).

4

Concessional duty rate is available on import from specific countries under bilateral/multilateral treaties and Free Trade Agreements.

Also, **subsidies** are **available for manufacturing** segment under states' industrial policies.

5

Customs duty and GST levied on import of machinery for setting-up refineries, duty deferment/ exemption under schemes, such as EPCG and MOOWR.

Typically, MNCs operating in these segments would require an offshore presence in India for execution of the contracts with the government to provide the on-ground support. The offshore arm could be in the form of project office/liaison office/branch/legal entity. Such offshore arm of the MNC will be treated as a separate taxable entity. Typically, such offshore arm enters into various transactions with HO/group companies to such business operations.

D.4.4. Engineering, procurement and construction sector

- EPC contract involves the supply of goods as well as the provision of services at the offshore and onshore levels. The supply of goods and provision of services both are critical to the successful completion of the project.
- EPC contract(s) may be either a single composite contract or separate contracts. The tax implications vary based on the nature of the EPC contract(s) and the facts of each case.

Project owner

Contractual structure

Single composite contract

- Single contract is awarded for various scopes of work.
- One needs to evaluate if offshore supply and services would be subject to tax in India.
- There is potentially higher effective GST rate on account of deemed valuation for setting up solar and wind power projects.

Separate contract

- Distinct contracts are executed for various scopes of work.
- Each scope of work is expected to be taxed differently.
- Arm's length attribution between onsite and offshore contracts is based on value contribution by each party.

Consortium contract

- Contract is awarded to the consortium.
- One needs to evaluate if consortium constitutes an AOP.

**Plus applicable surcharge and cess*

Taxability – Revenue streams

Offshore supply

- Typically, not taxed in India subject to fulfilment of certain conditions (based on tax treaty and judicial precedents).
- Taxable @ 35 percent * on a net basis, if PE exists and supply is connected to PE.
- Attribution of profits to PE is required to be carried out by applying the arm's length principle.

Offshore services

- It is expected to be taxed as "royalty" or "fees for technical services" @ 20 percent* on a gross basis, subject to tax treaty benefits.
- Taxable @ 35 percent * on a net basis, if PE exists and services are connected to PE.
- Taxability would vary if drawings and designs form an integral part of supplies.
- Technical/engineering services with cost plus mark-up arrangement often challenged by tax authorities on comparable companies selected.

Offshore supply and services

- By foreign company – Taxable @ 35 percent * on a net basis, if PE exists and supply/services are connected to PE.
- By Indian company – Profits of Indian entity are taxable as business income at applicable corporate tax rates (15/22/25/30).* plus tax on repatriation of profits as dividends, etc.

EPC contract

- Taxability of EPC contracts (especially, offshore supply and services) has been a subject of litigation. It is imperative to examine the nature and terms of contract/agreement, facts of each case and conduct of the parties is crucial.
- It is important to analyse duty deferment for high sea sales by EPC contractors and the valuation of works contract services, especially when selling goods to MOOWR licence holders. This is because EPC contractors face restrictions on duty deferment.

D.4.5. Metals and mining

TCS

Mining and quarrying (other than for mineral oil) is subject to tax collection at source at 2 percent.

RoDTEP

Export of certain minerals/metals is eligible for benefit under the RoDTEP scheme, in the form of electronic scrip, which can be utilised for payment of import duty.

SAFTA Benefit

Benefits are available on import of mining and metal products from certain countries under the SAFTA, resulting in lower customs duties.

D.4.6. Industrial products/manufacturing

The government has been working to transform India from a service economy to becoming a manufacturing powerhouse and diligently position itself as an attractive destination for manufacturing.

Accelerated depreciation

Accelerated depreciation at the rate of 20 percent is available for new plant and machinery used in manufacturing.

Corporate tax regime

Eligibility for 15 percent concessional tax rate if a company is set up on or after 1 October 2019 and production commences by 31 March 2024.

Incentive for employment generation

To generate employment in the economy, additional deduction of 30 percent of the incremental employee cost for each of three years is provided, subject to certain conditions.

Royalty payment on licencing of intangible

This is one of the most litigative issues from a TP perspective. The tax authorities scrutinise the payment of royalty from two perspectives – need or commercial benefit perspective on the part of the licensor. Taxpayers need to have robust documentation in place to demonstrate the commercial benefit and the need for such licence from an arm's length perspective.

Tax-free exports

Input GST used in exported goods/services is available as refund. Under **duty drawback**, exporters can claim refund on customs duties paid on imported inputs used in manufacturing.

Concessional Customs duty

On import of capital goods and other specified goods under the project import scheme.

Government grants and incentives

Dependent on the policy prevailing in centre/state and location and/or the sector. The central government offers incentives to certain manufacturing sectors, such as electronics, semi-conductors and textiles. These incentives include PLIs, capital subsidies and certain focussed programmes. State governments may provide incentives for certain sectors, such as food processing, aerospace and defence, renewable and medical devices through state industrial policies and sector-specific policies.

D.5. Life sciences and healthcare

The Indian pharmaceutical industry is currently valued at about US$50 billion and expected to grow at a CAGR of 10.7 percent by 2030. The pharmaceutical market is expected to reach US$65 billion by 2024 and US$130 billion by 2030. FDI into this sector has steadily increased in over two decades and LSHC continues to be an attractive sector to invest in.

Table 1: FDI in India's healthcare sector (2000-2020)[31]

Sub-sectors	Health-related FDI (US$ millions)
Drugs and pharmaceuticals	16,501
Hospitals and diagnostic centres	6,727
Medical and surgical appliances	2,130
Total	**25,357**

In addition to organic growth and investment, this industry has always witnessed heightened merger and acquisition activity and attracted interest from PE investors.

The following are some key policy initiatives to promote the growth of India's healthcare sector:

a. PLI schemes have been introduced for medical devices, pharmaceuticals, and bulk drugs with a cumulative outlay of ~INR 2,53,400 million to attract investments and encourage the production of domestically manufactured medical products.

b. Schemes were issued to promote medical device parks and bulk drug parks with financial grants across different Indian states.

c. Digitisation of health has been emphasised with several initiatives, such as Ayushmaan Bharat Digital Mission (ADBDM), CoWIN (a digital vaccine delivery platform), health registry and telemedicine.

d. The national policy on R&D and innovation in the Pharma-MedTech sector has been notified to streamline the regulatory processes, incentivise investment in innovation, and enable an ecosystem for medical research.

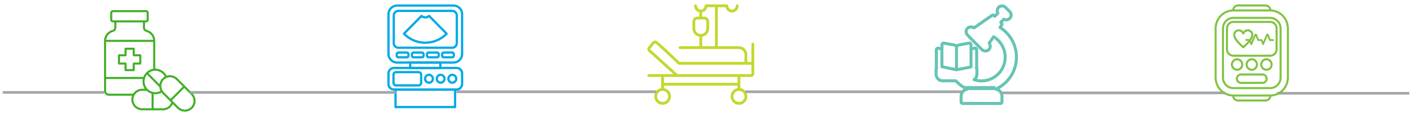
e. The National Medical Devices Policy 2023 was introduced to boost production by establishing cluster infrastructure, providing R&D support, reaching out to investors and building capacity.

f. FDI for hospitals and medical devices is allowed up to 100 percent under the automatic route. For brownfield projects, FDI beyond 74 percent requires approval and is subject to conditions.

[31] Note on Health and Pharmaceutical Sector. Invest India. Retrieved from https://www.niti.gov.in/sites/default/files/2023-02/InvestmentOpportunities_HealthcareSector.pdf

D.5.1. Regulatory overview

The Indian healthcare sector can be broadly divided into the following sub-sectors:



Drugs and pharmaceuticals | Medical devices and diagnostics | Hospitals | Clinical trials | Digital health

An overview of key regulatory compliances is covered in the figure below:

Drugs and pharmaceuticals
- Obtain licences – Manufacturing/sale/loan/import
- Maintain manufacturing records
- Maintain control sample
- Maintain inspection book
- Disclose information as and when required
- Obtain price approvals
- Adhere to packaging norms

Medical devices and diagnostics
- Obtain manufacture/sale licence per product category and product standards
- Test licence for clinical investigations
- Obtain import licence, as applicable
- Maintain inspection book
- Comply with labelling requirements

Hospitals
- Obtain registration under the Clinical Establishments Act
- Set up a legal entity and register a trademark
- Obtain land, construction, electricity, and water approvals
- Adhere to bio-medical waste management norms
- Obtain fire and health licence
- Comply with the FSSAI standards for in-house kitchen
- Adhere to labour laws
- Register medical shop/pharmacy
- Register ambulances

Clinical trials
- Obtain DCGI approval
- Register trials with the clinical trials registry
- Obtain ethics committee approval
- Register trial site

Digital health
- Comply with the IT Act, 2000
- Comply with Intermediary Rules, 2021
- Adhere to the Digital Personal Data Protection Act, 2023
- Comply with telecom guidelines, as applicable

Nutraceuticals
- Obtain FSSAI licencing
- Comply with various labelling/packaging requirements (approved colors/additives, the addition of flavours on labels, recommended daily allowances, nutritional information, etc.)

Others – Sector agnostic
- Labelling and packaging requirements under the Legal Metrology Act
- Medical Council Ethics Code
- The National Medical Commission Act
- Medical Advertisement regulations
- The Consumer Protection Act
- The FSSAI Act
- Customs approvals, wherever applicable
- Bio-medical Waste Management/Hazardous Waste Management Rules, 2016

D.5.2. Tax incentives related to LSHC in India

The government of India has also provided some tax incentives through lower rates or additional deductions for the sector.

Overview of corporate tax benefits
Companies may be able to avail concessional tax regimes (discussed under the segment **"general tax rates for corporate/non-corporate entities").** In addition, specific benefits for this sector are as follows:

Other incentives/deductions
A special 30 percent deduction on the cost of hiring additional employees, subject to certain conditions

Deduction of 100 percent of expenditure (whether revenue or capital, except expenditure on land) incurred on scientific research related to business

Other incentives, if concessional tax
For start-ups: 100 percent tax holiday on profits for any three consecutive years within 10 years of incorporation before 1 April 2030 (extended from 1 April 2024 by Union Budget 2025), subject to conditions

100 percent of expenditure of capital nature incurred for the purposes of building and operating a new hospital with at least 100 beds for patients

Patent box regime
Royalty income earned by a resident registered patentee being the true and first inventor of an invention, in respect of patent developed and registered in India, taxable at a concessional rate of 10 percent on a gross basis

Overview of indirect tax incentives
Concessional GST rate

- While the GST rate on Active Pharmaceutical Ingredients (API) is 18 percent, most of the other pharmaceutical products such as formulations subject to the tariff/HSN and conditions specified therein are eligible for a lower GST rate of 5 percent or 12 percent
- Most of the medical equipment/devices continue to attract a GST rate of 18 percent

Overview of Indirect tax incentives ("BCD") (Proposals in Union Budget 2025)

- Exempted BCD on 36 life-saving drugs and concessional BCD on six life-saving drugs.
- Exempted BCD on 37 medicines comprising 13 new Patients Assistance Programmes ("PAP") run by 10 specified companies
- Extension in sunset clauses for existing exemptions/ concessions on specified drugs/goods

Research-linked incentive schemes

To streamline the regulatory processes, incentivise investment in innovation, and enable an ecosystem for innovation and research, a scheme for the Promotion of Research and Innovation in the Pharma and MedTech Sector (PRIP), 2023 has been introduced. Under the Operational Guidelines[32], the details of implementation and the following key provisions have been made:

- CoEs will be established at seven existing National Institutes of Pharmaceutical Education & Research (NIPERs) at a tentative cost of INR 7 billion over five years.
- Six priority areas have been identified under which funding shall be given, further divided into three categories.[33]

Recent tax and regulatory judgements/regulations

i. Technology regulations and impact on the LSHC sector

The emerging regulations under the technology sector, such as the Digital Personal Data Protection Act, 2023, and Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2022, will apply to the sector. Similarly, introducing import licensing requirements for certain electronics products will also impact the import and usage of medical devices and diagnostics equipment. In addition, with increasing obligations for "Make in India" through Public Procurement Order is critical for the industry to enable the supply of products to government customers.

ii. Marketing expenses and engagement with medical practitioners

Typically, pharmaceutical and medical device companies incur various marketing expenses to maintain an ongoing engagement with medical practitioners. The indicative list of expenses is mentioned hereunder:

Brand reminder items	Product samples	Travel and hospitality	Honorarium payments	Marketing spends
Medical instruments	Conducting events	Sponsorship of events	Grants to institutions	

The National Medical Commission Registered Medical Practitioner (Professional Conduct) Regulations, 2023 were issued on 2 August 2023, obligating medical practitioners to mandatorily prescribe generic drugs and not endorse any drug brands. Further, medical practitioners were not allowed to be involved in any third-party educational activity, such as CPD, seminars, workshops, symposia and conferences, which involves direct or indirect sponsorships from pharmaceutical companies or the allied health sector. However, vide 23 August 2023 notification, the circular is in abeyance, and earlier regulations, i.e., the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 (MCI Regulations) continue to be effective.

[32] https://pharmaceuticals.gov.in/sites/default/files/Approved percent20Operational percent20Guidelines percent20 percent20 percent28PRIP percent29.pdf

[33] To read more about the scheme's financial details, click here: https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/Global percent20Business percent20Tax percent20Alert/in-tax-gbt-National-Policy-on-Research-Linked-Incentives-in-Pharma-Med-Tech-Sector-noexp.pdf

These prohibit medical practitioners from accepting gifts from pharmaceutical and allied health sector industries. The prohibition on distributing samples of infant milk substitutes, feeding bottles, and infant foods, and offering inducements to promote their sale or use is a key regulatory measure. Tax authorities have challenged the deductibility of such restricted expenses and the eligibility of Input Tax Credit (ITC) availed on such payments.

There appears to be a strong intent to insist on ethical practices considering the importance of this industry. From an income tax perspective, the Apex court has not granted tax deductions of expenses for gifts to medical practitioners, for being a party to an act that leads to an offence followed by various lower tax authorities. Similarly, the income tax law now provides that expenses are not allowed as deduction if these result in any benefit or perquisite for the recipient and where acceptance thereof violates any law, regulations, etc., governing the recipient.

Some withholding tax provisions require a person responsible for providing any benefits or perquisites to a resident during business or exercise of a profession to withhold tax at 10 percent where the benefit or perquisite exceeds INR 20,000 during the financial year.

Outlook

India is in her “tech-ade”, and with evolving regulations in the technology sector, it is set to observe four interesting health sector trends soon (with a common digital theme). First, there will be a growing acceptance of telemedicine and e-pharmacy. The use of AI and machine learning for medical consultations online is set to improve patient outcomes, reduce costs and increase access to healthcare. Second, remote monitoring tools are also picking up pace in India and are expected to grow at a CAGR of 9.39 percent over the next few years.[34] Third, transformational diagnostics, including genomic sequencing, next-generation sequencing, whole-genome sequencing, and RNA-based tests, can improve healthcare in India. Fourth, healthcare SaaS-based solutions can store and monitor health data, which is becoming a trend amongst most stakeholders.

Indian pharma companies will continue to strengthen their speciality molecule portfolio through acquisitions. The industry is expected to witness accelerated growth in the near future led by various factors, such as policy interventions, infrastructure development, FDI, improved manufacturing capabilities, and access to a cost-effective talent pool.

[34] https://www.mordorintelligence.com/industry-reports/india-patient-monitoring-market-industry

(E)
Futuristic trends in India

E.1. Environmental, social and governance

Over the past few years, India has witnessed a paradigm shift in the way businesses approach matters of the "environment", the "social" and the "governance". Much in line with global trends, Indian businesses now give greater importance to ESG considerations. What was only a matter of compliance in the past has now become a crucial part of business strategies. Emphasis on factors such as environmental consciousness, ethical practices, and labour protection have fuelled this imperative.

Deloitte India's ESG preparedness survey report indicates that Indian businesses see significant value in sustainability and are actively building ESG capabilities.

88 organisations believed **sustainability regulations will directly impact their businesses**

More than **75** organisations agreed that **ESG is a boardroom discussion**

About **90** organisations **believed ESG reporting will improve brand reputation**

About **75** organisations stated that their **investors rate their ESG performance**

71 businesses agreed that their organisation **voluntarily participates in ESG ratings**

About **60** organisations placed high-level importance on **establishing ambitious ESG goals** for the future

Regulatory efforts are also pushing businesses to become future-ready via ESG practices. SEBI has made it mandatory for the top 1,000 listed companies in India by market capitalisation to make ESG disclosures under the BRSR guidelines. The BRSR integrates the nine NGRBC principles and incorporates multiple key performance indicators from international frameworks to bring non-financial reporting by Indian organisations at par with global sustainability and ESG reporting trends. The BRSR disclosures include information on a company's ESG policies and performance and are reported as part of annual reports.

Further, the RBI now allows the acceptance of green deposits and has issued a disclosure framework on climate-related financial risks. India also mandates companies to contribute at least 2 percent of their average net profits from preceding financial years to CSR activities. Under India's 2023 G20 presidency, ESG was identified as a key priority for businesses to become more sustainable. Driven by this regulatory support, investors are also slowly unleashing the potential of ESG investing, making ESG-compliant businesses more attractive and profitable.

The government's relentless drive for the adoption of renewable energy sources is expected to continue until the foreseeable future. The ambitious goals announced in COP26 will pave the way to address climate change mitigation. These objectives include installing 500 GW of renewable energy capacity by 2030, reducing the economy's carbon intensity by 45 percent from 2005 levels by 2030, and achieving the target of net zero emissions by 2070. To complement the adoption of renewable energy sources, the National Green Hydrogen Mission aims to make India a leading producer and supplier of green hydrogen in the world, with a target to set up at least 5 MMT per annum of green hydrogen capacity. Fiscal benefits, such as PLIs and other state incentives would create a conducive ecosystem to enable large-scale capacity building to mitigate carbon emissions in a sustainable way over time.

ESG narrative has a significant bearing on tax policy considerations for organisations – whether it is about building trust in tax reporting, or steering courses to address new environmental taxes. Key areas of tax considerations are:

TTR: In addition to the BRSR, a more voluntary form of reporting emanates through TTR from a governance standpoint. TTR carries quantitative and qualitative disclosures around direct and indirect tax contributions, payroll tax, tax governance and strategy, approach to tax risk management, control, and compliance. It helps organisations interact with stakeholders, including customers, regulators, and investors, improving credit ratings and making themselves more attractive for M&A.

CBAM: It is a carbon tax/tariff on carbon-intensive products, such as steel, cement, fertilisers imported into the EU. It initially focuses on hard-to-abate industries, such as cement, steel, aluminium, fertilisers and electricity generation. These sectors are considered at a higher risk of carbon footprint due to their significant greenhouse gas emissions. While implementing CBAM is proposed in a phased process, it could potentially lead to a 20–35 percent tax/tariff on specific imports that have not been produced through environmentally friendly processes from 2026 onwards.

Supply chain restructuring: There is an increase in supply chain restructuring amongst corporates as they progress towards their ESG goals. This restructuring is mainly driven by the need to enhance efficiency, reduce costs, green their supply chain network, lower carbon footprints, and ensure efficient resource consumption. For instance, a group might consider decentralising manufacturing functions to reduce carbon emissions from transport. A shift in energy procurements from renewable sources, as well as the centralisation of logistics and fleet management, could be other examples. These aspects typically entail nuanced tax considerations, especially around availing incentives and mitigating tax and TP risks.

Carbon credits: These help organisations offset emissions to achieve net-zero goals. It is an effective way for companies to meet their sustainability goals. There are specific tax rules for the taxation of carbon credits which require careful planning and compliance with regulations and industry best practices.

Across organisational functions (finance, tax, HR, and supply chain), business decisions are being evaluated from the prism of ESG. An optimal approach to ESG can well be a tremendous business opportunity, and any compromise could potentially be an existential threat to organisations.

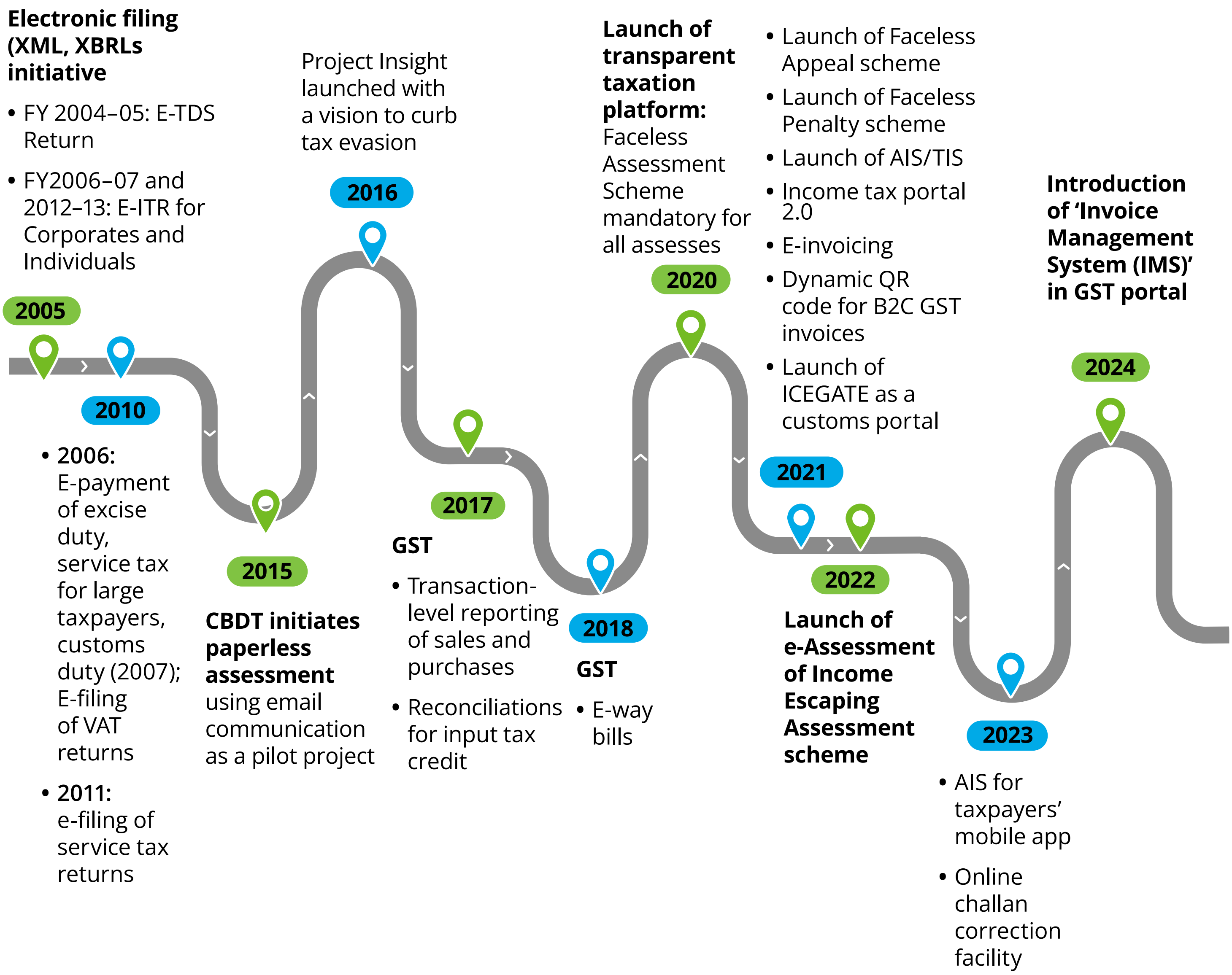
While India is still in its nascent stages to become a leader in ESG practices, it is a consideration fast picking up pace and garnering greater importance by all stakeholders in the Indian ecosystem. Business strategies would need to be adept as ESG-led transformation unfolds.

E.2. Extensive use of technology in tax reporting and administration

Business operations are witnessing technology-driven transformations. Advanced technologies, such as AI, blockchain and now Generative AI, have opened newer and innovative ways of managing operations.

Technology plays a key role in tax compliance, with many processes now managed through digital solutions. Tax authorities also encourage taxpayers to adopt technology and automation for smoother compliance. The chart below gives a broad perspective on the journey of tax technology adoption by the tax administration.

Tax authorities are making tax digital
A Timeline of Tax Transformation Advancements



The introduction of GST in 2017 revolutionised the way transaction-level reporting can be achieved. Likewise, the introduction of e-way bills in 2018 and e-invoicing in late 2020 changed the way real-time reporting can be carried out without interrupting business operations. The Indian e-invoicing model, adapted from a five-corner Peppol model, has been a resounding success for both the government and the taxpayers. The gradual reduction of the eligibility threshold for e-invoicing (currently INR 50 million/ US$625,000 has ensured high acceptability amongst taxpayers. The thrust on technology by the tax administration has ensured that automated extraction of data from ERP/source systems and its processing using predefined rules/logics, including reconciliations has become a norm for most large and medium-sized organisations. The use of technology by taxpayers has helped in transaction-level reporting to the tax administrators, which has brought efficiencies for the tax administrators in audits and assessments.

The use of technology and automation reduces the chances of human errors and increases accuracy and efficiency. For example, the data for GST and tax deduction at source compliance could run into millions of line items for large organisations, which is unmanageable without the significant use of technology. Similarly, compliance under the Pillar 2 GloBE rules for multinational enterprises is another key area where technology can play a significant role in data mapping, extraction, wrangling and reporting.

In addition to compliance process automation, tax data analytics plays a crucial role in providing intelligent insights into the tax function. Technology can help identify tax leakages, detect overpayment of taxes, manage vendor payments for GST non-compliant vendors, monitor refunds, optimise the supply chain, monitor compliance/litigation status and mitigate risks. Over the past few years, tax technology professionals have been exploring additional use cases of predictive and prescriptive analytics, including the use of machine learning and Gen AI in tax.

It is interesting to note that while the tax has been a late starter in adopting technology, it is moving rapidly towards embracing new-age technologies in a big way. The use of technology for compliance processes is already established, and companies are looking at off-the-shelf automation to streamline internal processes and provide specific and customised solutions to address their pain points. The ultimate objective is to transform the tax function, to reduce the time spent on compliance so that tax teams can focus on strategy and implementation and partner with the business and operations.

Technology is a boon for tax teams, and it is increasingly helping them to manage compliance efficiently. However, since tax automation started later than other areas, much work needs to be done. Organisations must focus on the entire data lifecycle (extraction, wrangling, reconciliation, etc.) and identify the right tax technology solutions to support their tax compliance needs. The use of new-age technologies, such as AI/machine learning and Generative AI, in tax processes is being explored, which will change how tax operates.

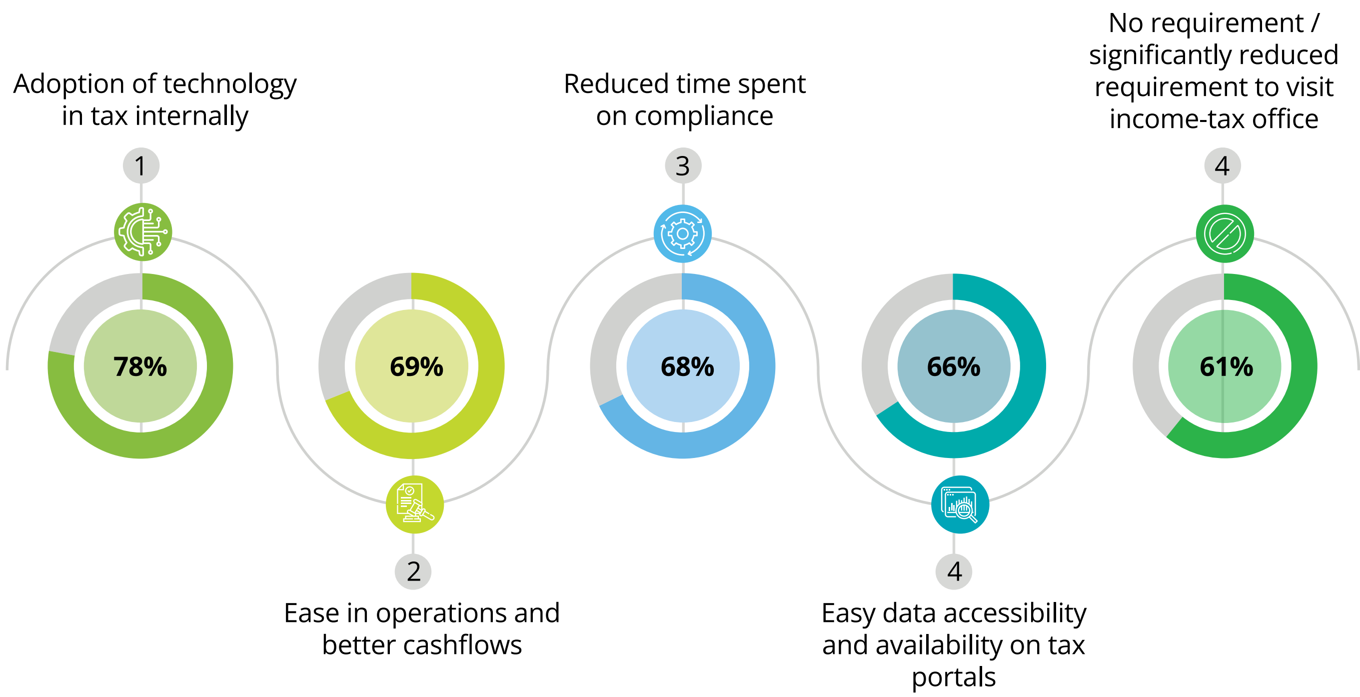
Apart from the taxpayers, the tax authorities have adopted a proactive approach in the adoption and use of technology for tax administration, which includes identification of non-compliant taxpayers, audits and assessments and policy making. Establishment of business intelligence units, use of data analytics and adoption of artificial intelligence for tax administration are some of the leading practices adopted by the tax authorities.

E.3. Results of tech surveys

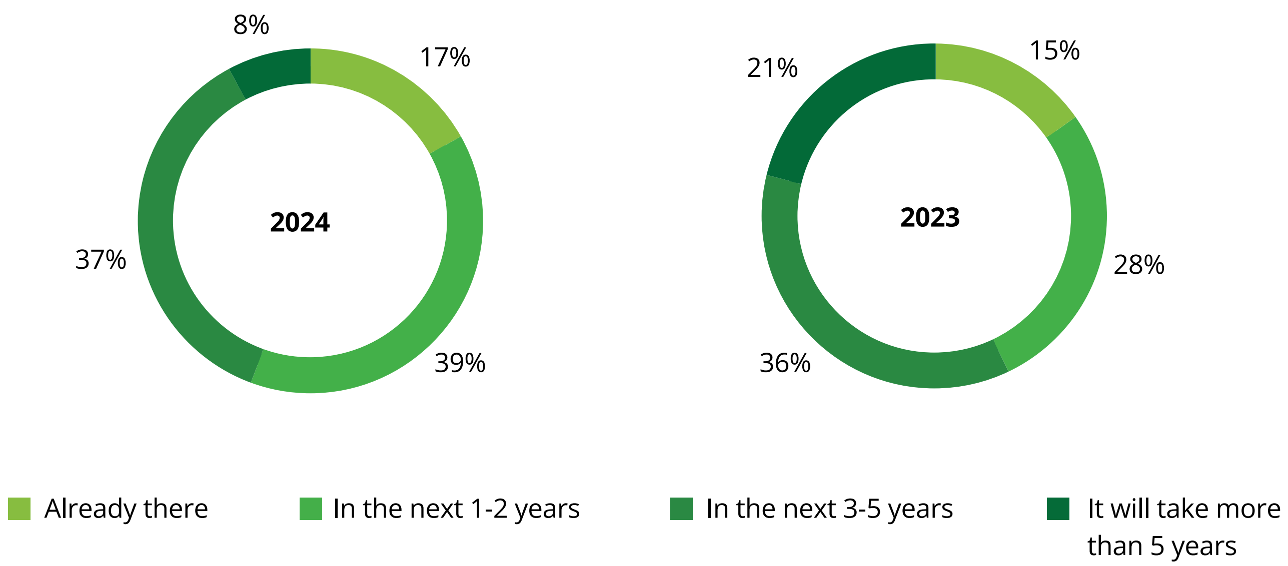
a. Survey on income-tax digitalisation in India

To assess the impact of digitalisation of income tax in India, **Deloitte India** released a survey titled **"Survey on income-tax digitalisation in India 2.0".** The following are some key themes from the survey:

Benefits of digital tax administration on business



Timeline for transitioning to a technology-driven tax function

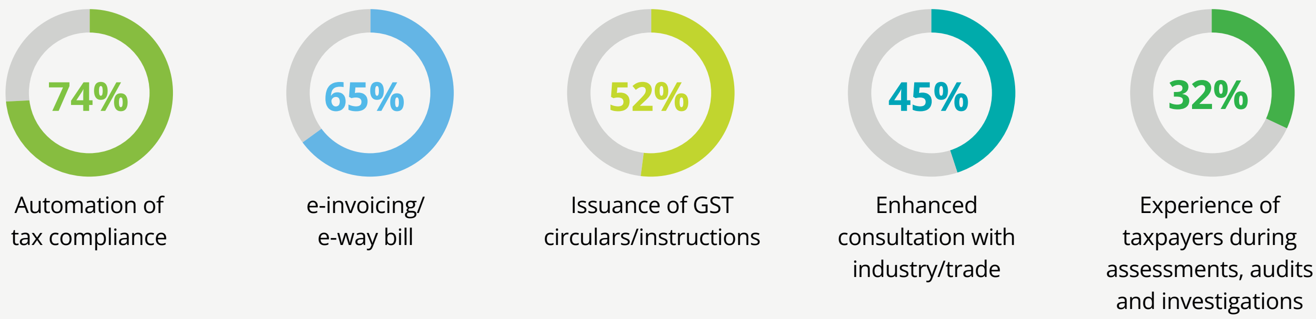


b. GST survey

In Deloitte India's annual flagship survey GST @ 7 conducted on the completion of 7 years of GST, more than 750 respondents shared their views on various areas, including technology and automation. Some of the interesting outcomes are presented below, including how the adoption of robust technology has aided in improved compliances:

- **Top performance areas:** Tax compliance automation, e-invoicing and e-way bills continue to top the charts on key performance areas.

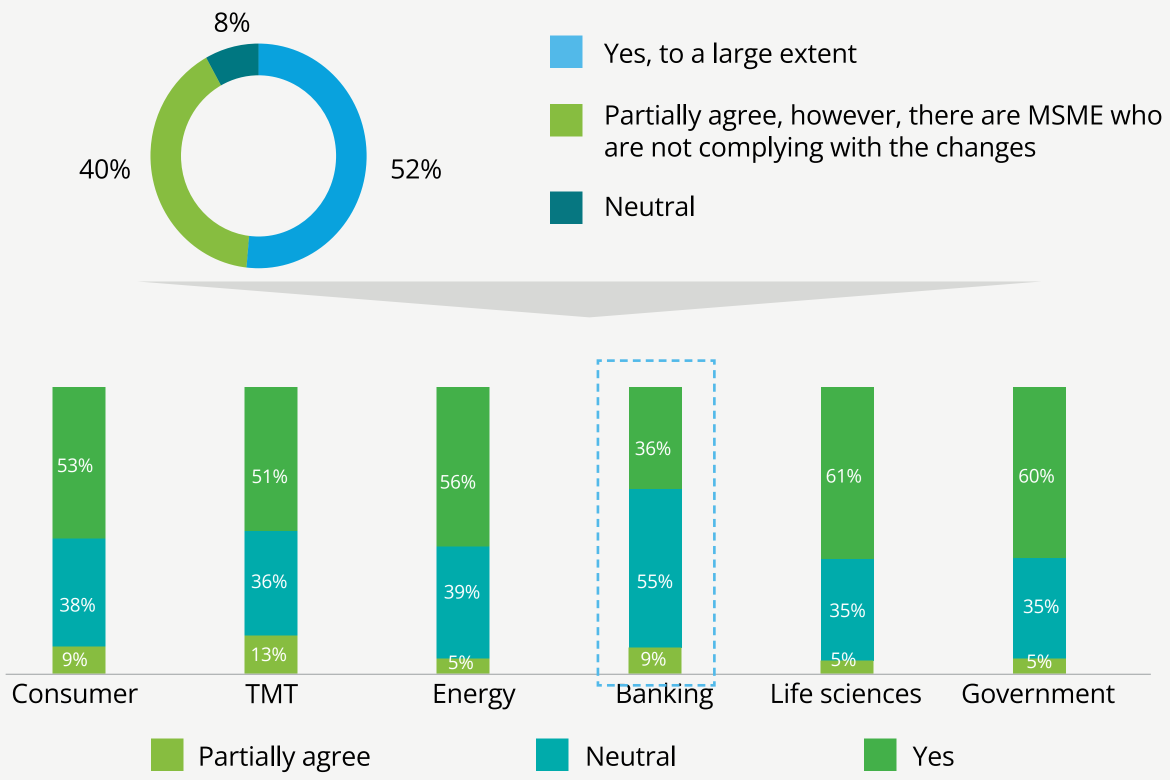
Top areas where the government performed well



MSMEs demonstrate robust support (69 percent) for these initiatives compared with larger counterparts (60 percent for large and 65 percent for very large businesses)

- **E-invoicing benefits:** Nearly 92 percent expressed satisfaction with e-invoicing. A notably large percentage of MSMEs support e-invoicing and e-way bills and this percentage is higher than the corresponding percentage of large and very large businesses.

Need to reduce the threshold limit for generating e-invoices



E.4 Digital Personal Data Protection Act 2023

On 11 August 2023, India enacted the Digital Personal Data Protection Act (DPDP). The DPDP is the first unified law in India on data protection and will override the existing Sensitive Personal Data and Information Rules (2011) under the Information Technology Act, 2000.

- The DPDP applies to all persons (companies and other forms of entities) processing the digital personal data of individuals in India. It also has extra-territorial applicability as it applies to foreign entities processing the digital personal data of individuals in India as part of offering goods or services to them. Indian entities processing data of foreign citizens are also affected even though some exemption applies.

- The DPDP applies to personal data collected in digital form, or personal data collected in nondigital form but subsequently digitised. Under the DPDP, personal data can be processed under the following two grounds:
  - Consent: Where an individual has given free, unambiguous, specific, informed consent indicative of clear affirmative action for a specified purpose of processing.
  - Legitimate uses: Such as voluntary sharing of personal data, passing subsidies, and benefits to individuals, processing under interest related to sovereignty/security of India, fulfilling the obligation under law, compliance with judgment or order under law, medical emergency, medical treatment, the safety of individuals, during disaster/breakdown of public order or employment purposes.

- Entities processing digital personal data are required to engage data processors under valid contracts, be liable for acts of data processors, ensure completeness, accuracy, and consistency of personal data, and implement technical/organisational measures to ensure data security.

- If an entity is notified as a "Significant Data Fiduciary" based on the volume and sensitivity of personal data processed, such entity is to appoint a resident data protection officer, conduct a data protection impact assessment, and be subject to periodic audits of its data privacy practices. Such an entity is also required to submit its audit report/DPIA report before the regulatory authorities.

- A new authority, i.e., the Data Protection Board of India is to be constituted, functioning as an independent regulatory body in this domain. Entities are required to notify the DPB, in the event of a breach. The DPB has the power to impose a monetary penalty that can exceed up to INR 2,500 million per breach, and even send representation to the Ministry of Electronics and Information Technology to take down its content.

- On 3rd January 2025, the Draft Rules under the DPDP Act were issued for public consultation. Comments were invited till 5th March 2025. The DPDP Act will come into force once the provisions of DPDP Act & Rules are notified.

E.5. Start-ups

India's startup culture is booming, emerging as the world's third-largest ecosystem, fueled by a young, tech-savvy population, government initiatives, and a growing entrepreneurial spirit, with sectors like fintech, edtech, and e-commerce leading the charge.

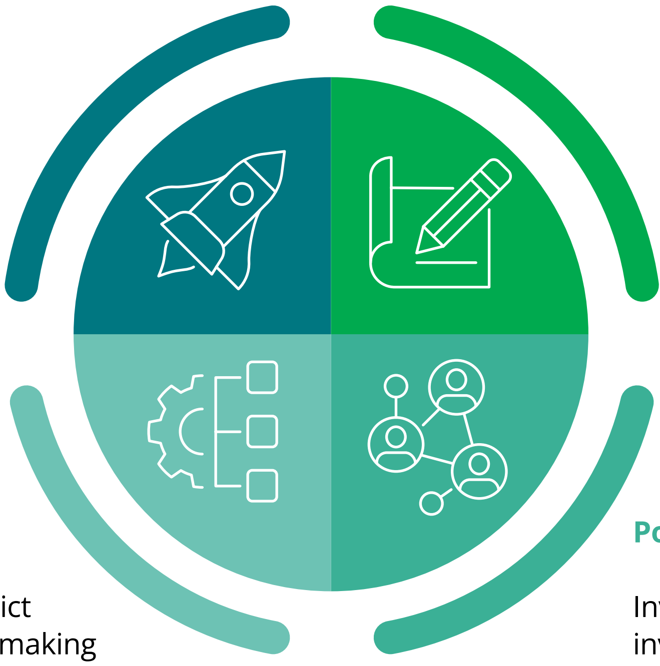
In India, start-ups are eligible to claim 100 percent tax holiday on profits (for any 3 consecutive years within 10 years of their incorporation) if they fulfil prescribed conditions and are incorporated before 1 April 2030, as per the Union Budget 2025.

Cash optimisation

Nimble start-ups will adopt cash optimisation strategies in their business operations and utilise proven marketing strategies to their advantage.

Revisiting decisions

Discerning start-ups will revisit their decisions and focus on extending the cash runway as much as possible by postponing large capital decisions and evaluating debt repayment terms.



Due diligence

Investors will develop strict filtering processes while making additions to their portfolios.

Portfolio networks

Investors are expected to not invest in silos but rather create a network of fellow investors to invest in a start-up.

Key drivers

Large market potential | Fast-growing economy | Government support | Innovative start-up culture

E.6. Global Capability Centres

Global In-House Centres, also known as GIC or GCC, have grown through the value chain in India and are continuing to grow. While they were primarily established to offshore back-office processes, they have become centres of operational excellence, product development and innovation hubs.

Skilled talent	Innovation	Next-gen leaders	World-class products
Technical education	**Start-up ecosystem**	**Leadership development**	**R&D**
India has a robust system of technical education, including numerous prestigious engineering and IT institutions, such as the IITs and NITs, which produce a large pool of skilled graduates every year.	India's start-up ecosystem is rapidly evolving. At present, it is the third-largest start-up hub in the world. This ecosystem drives innovation and fosters a culture of entrepreneurship.	Many GICs in India have initiated leadership development programmes to nurture potential leaders, equipping them with the necessary skills to steer global teams.	Several MNCs have established their R&D centres in India, using the local talent pool to create world-class products.
Young workforce	**Government initiatives**	**Diverse work environment**	**Cost-effectiveness**
India has one of the youngest populations in the world and this demographic dividend positions the country favourably to provide skilled talent for many years.	The Government of India has launched various initiatives, such as "start-up India," "Digital India," and "Atal Innovation Mission," to encourage innovation and entrepreneurship.	GICs in India often serve clients from various geographies, exposing the workforce to a global work environment and different cultures. This exposure is integral in developing global leaders.	Using the cost-effective labour pool and operational costs, GICs in India can produce high-quality products at a competitive rate. This fosters an environment conducive to creating world-class products.

E.7. Artificial intelligence

AI adoption in India is climbing steadily and is poised to gain further traction. The current maturity levels of enterprises leave a large headroom for further growth in formalisation across various aspects ranging from strategy to implementation legs. The northward movement would be essential to harness the reported US$500 billion potential impact of AI adoption on India's GVA by 2026.

Unlocking the potential AI market in India

AI maturity

A recent NASSCOM report pegs the maturity score for AI in India at 2.45 on a 4-point scale, which suggests a significant potential value from AI that can be unlocked

Market opportunity

There is a projected US$500 billion opportunity in the AI market by FY2026.

Desire and knowledge for AI adoption

Survey findings

A survey conducted by Deloitte indicates a robust willingness and understanding amongst Indian enterprises to adopt AI technology.

Acknowledging challenges

Enterprises have a sensible grasp of the roadblocks ahead, identifying and solving issues related to operational efficiency and market growth through AI.

Need for strategic leadership and infrastructure

Vision and AI strategy

A decisive leadership vision and a well-outlined AI strategy are needed to swiftly implement proven AI solutions. India Inc. is expected to do so in the coming years.

Data standards

Various reports indicate a cautious move forward by the Indian ecosystem to setup a robust technology infrastructure and standardised data protocols for implementation of AI

AI talent and skill development

AI talent

India is bridging the deficiency in skills that combine depth of AI experience with domain-specific knowledge. This augurs well for future of AI in India.

Project management

Indian organisations will be seen filling up the substantial lag in AI-specific project management experience, which is vital to developing, test, and deploying focussed AI solutions.

Innovation through collaboration and research

Incubation and in-house labs

Indian enterprises favour nurturing innovation through AI start-up incubation or establishing in-house AI labs.
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Academic collaboration

As patent filings are currently being driven by research and academic institutes, Indian enterprises will be seen collaborating with academia for lab-to-market success of concepts.

Redefining success metrics for AI projects

Legacy frameworks

Companies are still seen relying on legacy frameworks, such as project-based ROI, time, and budget success metrics to evaluate AI projects. This would change.

New metrics

There will be a call across the Indian ecosystem to define a new set of metrics that tie into organisational success KPIs, emphasising the continual and cross-functional impact of AI.

E.8. Automation

India's public and private sectors are continuously taking giant strides in adopting automation to exploit growth opportunities. The instrumental support from the government through various schemes is enabling the right environment for growth and advancement in the sector. Various private players are also inclined to modernise their manufacturing and supply chain setups by incubating new automation technologies to realise the benefits of faster and more accurate process outcomes.

Industrial automation	Smart manufacturing	Industrial robots	Automation in Supply Chain	Industry 4.0 and Internet of Things	Smart facility and utility monitoring
Make in India	**Government incentives**	**Increase Exports**	**E-commerce expansion**	**Government-sponsored CoE**	**Smart grid**
The NITI Aayog and ABB India signed a (SoI) to support advanced manufacturing technologies. They are working together to discuss the potential solutions using industrial automation, and digitalisation.	Promotion of smart manufacturing through the (PLI) scheme, covering 14 sectors to incentivise domestic production and smart manufacturing practices.	The use of automation to boost exports pushes for the utilisation of cobots in manufacturing to enhance automation, offering productivity, safety, cost-efficiency, and skills development.	With rapid e-commerce expansion and easing of the FDI regulations, support the adoption of intelligent, efficient, and automated warehouses to handle higher SKU volumes and ensure accuracy.	The government supports the development of CoE and labs for IIOT, AI, and ML, AR & VR, robotics, drones, and 3D printing to support and boost start-ups working on Industry 4.0 to develop newer and faster products.	The government emphasises on providing reliable and affordable power with a fully automated, digitally controlled, fast responsive grid. This is resilient to cyberattacks and natural disasters and is the need of the hour.
Start-up incubation	**Industrial shift**	**Warehouse automation**	**Integrated logistics**	**Atmanirbhar Bharat**	**Smart City Mission**
MeitY promotes ICT start-ups via the TIDE 2.0 Scheme, working in emerging tech areas, such as industrial automation, blockchain, and robotics, through 51 incubators with a budget of INR 264 crore over five years.	PPP funding infusion into India's manufacturing sector is timely, as the sector seeks to catch up with industry shifts. It explores automation and robotics for sustainable global production.	Automation in warehouses through robotics and AGVs enhances efficiency. Drones, aided by sensors and technology, are transforming cargo location, inventory, and stock-taking processes.	India's National Logistics Policy aims to create an integrated, technologically advanced, and sustainable logistics system by adopting automation and IT to promote transparency and efficiency.	The CoE on Industry 4.0, is a joint effort by STPI, MeitY, RINL, and the Government of Andhra Pradesh. It aims to establish India's self-reliance in Industry 4.0. The CoE plans to incubate 175 start-ups in five years.	The Government of India is fostering smart cities and facilitating across sectors, utilising technology for enhanced efficiency and quality of life, with a focus on transportation, healthcare, and urban development.

(F) Seize the India moment

India's future landscape promises a potent amalgamation of ingenuity and opportunity that draws the attention of investors and visionaries globally. The forthcoming decade will stand as a testament to India's relentless pursuit of the technological forefront, displayed through the rapidly increasing AI capabilities at urban centres and at the grassroots level. This will instil a new wave of innovation – that is both inclusive and transformative. India has become a nurturing habitat for start-ups, where dreams transform into substantial realities.

GCCs in India demonstrate strong reliability and expertise, highlighting India's role as a global hub for quality and cost-effective services. This synergy boosts corporate efficiency and positions India as a key market and valuable partner in global growth. With supportive policies and a skilled workforce, India is well-prepared for future opportunities, paving the way for collaborative success.

Now is the perfect time to build alliances and create new success stories, as India enters a period of rapid growth driven by innovation, inclusivity, and prosperity. The opportunity to invest in India is an invitation to partake in the country's growth story and sculpt a legacy of transformative success.

Glossary

AD Bank	**Authorised Dealer Bank**
AE	**Associated Enterprise**
AEO	**Authorised Economic Operator**
AI	**Artificial Intelligence**
AIF	**Alternative Investment Fund**
ALP	**Arm's length price**
AMT	**Alternate Minimum Tax**
AOP	**Association of Persons**
APA	**Advance Pricing Agreement**
ASEAN	**The Association of Southeast Asian Nations**
AUM	**Assets under management**
BCD	**Basic Custom Duty**
BEPS	**Base Erosion and Profit Shifting**
BESS	**Battery Energy Storage Systems**
BFAR	**Board for Advance Rulings**
BO	**Branch Office**
BOPIS	**Buy Online Pick In Store**
BORIS	**Buy Online Return In Store**
BPCL	**Bharat Petroleum Corporation Ltd**
BRSR	**Business Responsibility and Sustainability Report**

C&I	**Commercial And Industrial**
CA	**Competent Authority**
CAD	**Current Account Deficit**
CAGR	**Compound Annual Growth Rate**
CB	**Corporate Bond**
CBAM	**Carbon Border Adjustment Mechanism**
CbCR	**Country-by-country Reporting**
CBDT	**Central Board of Direct Taxes**
CBIC	**Central Board of Indirect Taxes and Customs**
CCDs	**Compulsory Convertible Debentures**
CCI	**Competition Commission of India**
CCPS	**Compulsory Convertible Preference Shares**
CDP	**Carbon Discloure Project**
CECA	**Comprehensive Economic Cooperation Agreement**
CEPA	**Comprehensive Economic Partnership Agreement**
CFC	**Controlled Foreign Corporation**
CIT	**Commissioner of Income Tax**
CNG	**Compressed Natural Gas**
COC	**Certificate of Coverage**
COP	**Conference of the Parties**

CPE	**Customer Premise Equipment**
CPI	**Consumer Price Index**
CSR	**Corporate Social Responsibility**
CTT	**Commodities Transaction Tax**
DESH Bill	**Development of (Enterprise and Service) Hubs Bill**
DGIT	**Directorate General of Income Tax**
DISCOM	**Distribution Company**
DPIIT	**Department for Promotion of Industry and Internal Trade**
DTAA	**Double Taxation Avoidance Agreement**
E&P	**Exploration & Production**
EBITDA	**Earnings Before Interest, Taxes, Depreciation, And Amortization**
ECB	**External Commercial Borrowings**
EOU	**Export Oriented Unit**
EPC	**Engineering, Procurement and Construction**
EPCG	**Export Promotion Capital Goods**
EPF Act	**Employees Provident Funds and Miscellaneous Provisions Act, 1952**
ER&D	**Engineering Research and Development**
ESG	**Environmental, Social and Governance**

ESS	**Energy Storage System**
EU	**European Union**
EUR	**Euro**
EV	**Electric Vehicles**
FDI	**Foreign Direct Investment**
FEMA	**Foreign Exchange Management Act, 1999**
Firm	**Partnership firm**
FMCG	**Fast-moving consumer goods**
FME	**Fund Management Entity**
FMV	**Fair Market Value**
FPF	**Foreign Pension Funds**
FPI	**Foreign Portfolio Investment**
FRO	**Foreigners Registration Office**
FRRO	**Foreign Regional Registration Offices**
FSI	**Floor Space Index**
FTA	**Free Trade Agreement**
FTP	**Foreign Trade Policy**
FVCI	**Foreign Venture Capital Investor**
FY	**Fiscal Year / Financial Year**
GAAR	**General Anti-Avoidance Rule**

GATT	**General Agreement on Tariff and Trade**
GBP	**Great Britain Pound**
GCC	**Global Capability Centres**
GDP	**Gross Domestic Product**
GH	**Green Hydrogen**
GHG	**Green House Gas**
GIC	**Global In-house Centre**
GIFT	**Gujarat International Finance Tec-City**
GNA	**General Network Access**
GNPA	**Gross Non-Performing Asset**
Green OA	**Green Open Access**
GST	**Goods and Services Tax**
GSTN	**Goods and Services Tax Network**
GW	**Gigawatt**
GWh	**Gigawatt Hour**
HO	**Head Office**
HPCL	**Hindustan Petroleum Corporation Ltd**
HR	**Human Resource**
HTM	**Held-to-maturity**

ICAI	**The Institute of Chartered Accountants of India**
IFSC	**International Financial Services Centre**
IFSCA	**International Financial Services Centres Authority**
IG	**International Group**
IHC	**Intermediate Holding Company**
IMF	**International Monetary Fund**
Indian TP Regulations	**Section 92 of the Income-tax Act, 1961 ("the Act") read along with Rules 10A to 10E of the Income-tax Rules, 1962 ("the Rules") [collectively referred to as the "transfer pricing regulations" or "the Regulations.**
INR	**Indian Rupee**
IOCL	**Indian Oil Corporation Ltd**
IoT	**Internet of Things**
IPP	**Independent Power Producers**
IPRs	**Intellectual Property Rights**
IRA	**Indian Revenue Authorities**
IRDA Act	**Insurance Regulatory Development Authority Act, 1999**
IRDAI	**Insurance Regulatory and Development Authority of India**
I-REC	**International Renewable Energy Certificate**

ISTS	**Inter State Transmission System**
IT	**Information Technology**
ITC	**Input Tax Credit**
ITES	**Information Technology Enabled Services**
IW	**International Worker**
JV	**Joint Venture**
KM	**Kilometre**
kWh	**Kilowatt Hour**
KYC	**Know-Your Client**
LIBOR	**London Inter-Bank Offer Rate**
LLP	**Limited Liability Partnership**
LNG	**Liquefied Natural Gas**
LO	**Liaison Office**
LOB	**Limitation of Benefits**
LODR	**Listing Obligations and Disclosure Requirements**
M&A	**Merger and Acquisition**
MAP	**Mutual Agreement Procedure**
MAT	**Minimum Alternate Tax**
MF	**Mutual Fund**

MFN	**Most Favoured Nation**
MLI	**Multilateral convention to implement tax treaty-related measures to prevent BEPS**
MMT	**Million Metric Tonnes**
MMTPA	**Million Metric Tonnes Per Annum**
MNC	**Multinational Corporation**
MOOWR	**Manufacturing And Other Operations in Warehouse Regulations**
MoRTH	**Ministry of Road Transport and Highways**
MOSPI	**Ministry of Statistics and Programme Implementation**
MRO	**Maintenance, Repair and Operations**
MSME	**Micro, Small & Medium Enterprises**
MT	**Metric Ton**
MW	**Megawatt**
NASSCOM	**National Association of Software Companies**
NBFC	**Non-Banking Financial Company**
NCD	**Non-convertible Debentures**
NCLT	**National Company Law Tribunal**
NFRA	**National Financial Reporting Authority**
NGRBC	**National Guidelines on Responsible Business Conduct**

NHM	**National Hydrogen Mission**
NIIP	**National Infrastructure Pipeline**
NLP	**National Logistics Policy**
NMP	**National Monetaisation Plan**
NOC	**No Objection Certificate**
NPA	**Non-Performing Asset**
OCI	**Overseas Citizen of India**
ODI	**Offshore Derivative Instruments**
OECD	**The Organisation for Economic Cooperation and Development**
OEM	**Original Equipment Manufacturer**
OMC	**Oil Marketing Companies**
ONGC	**Oil And Natural Gas Corporation**
PAN	**Permanent Account Number**
PCIT	**Principal Commissioner of Income Tax**
PE	**Permanent Establishment**
PF	**Provident Fund**
PLI	**Production Linked Incentive**
PO	**Project Office**

PoEM	**Place of Effective Management**
POGA	**Payment of Gratuity Act, 1972**
PPT	**Principal Purpose Test**
PRS	**Permanent Residency Status**
PSE	**Public Sector Enterprise**
PTA	**Preferential Trade Agreement**
R&D	**Research And Development**
RBI	**Reserve Bank of India**
RE	**Renewable Energy**
REC	**Renewable Energy Certificate**
RNOR	**Resident but not ordinarily resident**
RoDTEP	**Remission Of Duties and Taxes on Export Products**
ROO	**Rules of Origin**
ROPIS	**Reserve Online Pick In Store**
RTC	**Round-The-Clock**
SAF	**Sustainable Aviation Fuel**
SAFTA	**South Asian Free Trade Area**
SDTs	**Specified Domestic Transactions**
SEBI	**Securities and Exchange Board of India**

SECI	Solar Energy Corporation of India Limited
SEP	Significant Economic Presence
SEZ	Special Economic Zone
SIDBI	Small Industries Development Bank of India
SIGHT	Strategic Interventions for Green Hydrogen Transition Programme
SLR	Statutory Liquidity Ratio
SPECS	Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors
SPR	Strategic Petroleum Reserve
SPV	Special Purpose Vehicle
SSA	Social Security Agreement
STT	Securities Transaction Tax
SWF	Sovereign Wealth Funds
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
The Act	Income Tax Act, 1961
TP	Transfer Pricing
TRC	Tax Residence Certificate

TTR	**Tax Transparency Report**
UAD	**Unabsorbed depreciation**
UK	**United Kingdom**
UN	**United Nation**
US	**United States**
US$	**United States Dollar**
VAT	**Value-Added Tax**
VC	**Venture Capital**
VDA	**Virtual Digital Asset**
VGF	**Viability Gap Funding**
VPPA	**Virtual Power Purchase Agreement**
WCO	**World Customs Organisation**
WDV	**Written Down Value**
WHT	**Withholding Tax**
WOS	**Wholly Owned Subsidiary**
WTO	**World Trade Organization**
YTM	**Yield-to-maturity**

Endnotes

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